



OFFICE OF INSPECTOR GENERAL
U.S. GENERAL SERVICES ADMINISTRATION

SEMIANNUAL REPORT TO THE CONGRESS

APRIL 1, 1999 - SEPTEMBER 30, 1999

Foreword

This report, submitted pursuant to the Inspector General Act of 1978, as amended, summarizes the activities of the Office of Inspector General (OIG) for the 6-month reporting period that ended September 30, 1999.

During this reporting period, we continued to work with GSA to identify sound business management and operational improvements in the Agency's programs and operations. We issued a number of reports which address major management issues facing the Agency, including GSA's Year 2000 conversion efforts, the management controls and physical security of various Local Area Networks, controls over financial systems transactions, the security of Federal buildings, and health and safety issues affecting Federal employees. We also reviewed aspects of other GSA programs, including the Multiple Award Schedule Program, the Antenna Program, and the courthouse construction contracting practices.

I want to take this opportunity to thank the GSA Administrator, GSA's senior managers, and the Congress for their support. I also want to express my appreciation for the accomplishments of all OIG employees and commend them for their continued professionalism, dedication, and willingness to accept new challenges.

William R. Barton

WILLIAM R. BARTON
Inspector General
October 29, 1999

Table of Contents

	Page
Summary of OIG Performance	v
Fiscal Year 1999 Results	vi
Executive Summary	vii
OIG Profile	1
Major Issues	2
Other Reviews of GSA Programs	14
Working with the Government Performance and Results Act	19
Procurement Activities	20
Prevention Activities	27
Review of Legislation and Regulations	29
Statistical Summary of OIG Accomplishments	33
 Appendices	
Appendix I—Significant Audits from Prior Reports	41
Appendix II—Audit Report Register	44
Appendix III—Audit Reports over 12 Months Old with Final Action Pending	54
Appendix IV—Delinquent Debts	62
Appendix V—Reporting Requirements	63

This semiannual report may be accessed on the Internet at the following address: <http://www.gsa.gov/staff/ig/publications.html>

Summary of OIG Performance

OIG Accomplishments

April 1, 1999–September 30, 1999

Total financial recommendations \$41,534,889

These include:

• Recommendations that funds be put to better use \$20,120,929

• Questioned costs \$21,413,960

Audit reports issued 104

Referrals for criminal prosecution, civil litigation, and administrative action 269

Results Attained

Management decisions agreeing with audit recommendations, civil settlements, and court-ordered and investigative recoveries \$83,068,784

Indictments and informations on criminal referrals 10

Cases accepted for criminal prosecution 16

Cases accepted for civil action 8

Successful criminal prosecutions 9

Civil settlements 9

Contractors debarred 27

Contractors suspended 27

Employee actions taken on administrative referrals involving GSA employees 3

Fiscal Year 1999 Results

During Fiscal Year (FY) 1999, OIG activities resulted in:

- Over \$367 million in recommendations that funds be put to better use and in questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- Management decisions to put funds of \$401 million to better use based on OIG recommendations.
- 195 audit reports that assisted management in making sound decisions regarding Agency operations.
- 6 implementation reviews that tracked the progress of actions in response to internal audit reports.
- \$39 million recovered as a result of management decisions to recover funds, civil settlements, court-ordered recoveries, and investigative recoveries.
- 135 new investigations opened and 136 cases closed.
- 29 case referrals (53 subjects) accepted for criminal prosecution and 12 case referrals (21 subjects) accepted for civil litigation.
- 16 criminal indictments/informations and 15 successful prosecutions on criminal matters referred.
- 13 civil settlements.
- 27 referrals to other Federal agencies for further investigation.
- 11 employee actions taken on administrative referrals involving GSA employees.
- 27 contractor suspensions and 30 contractor debarments.
- 350 legislative matters and 52 regulations and directives reviewed.
- 2,563 Hotline calls and letters received of which 144 warranted further GSA action.

Executive Summary

During this period, we offered our wide variety of traditional services, including program evaluations, contract and financial auditing, management control reviews, investigative coverage, and litigation support in contract claims, civil fraud and enforcement actions, and criminal prosecutions. In addition, we provided professional assistance through enhanced consulting services designed to quickly inform management of potentially serious deficiencies or other concerns prior to completion of all analytical work and formal report issuance.

Major Issues

In this report, we have highlighted a number of reviews that address major management issues facing GSA. These reviews cover a variety of areas from technology and information systems to building security and health and safety issues. In November 1998, we had identified to members of the Congressional leadership the most serious management challenges currently facing the Agency. Some of these challenges include the areas of management controls, data security, aging information systems and protection of Federal buildings and personnel. The significant reports issued this period address many of these critical areas. Still others are being addressed through ongoing and planned reviews. Our efforts during this period focused on the following:

Technology and Information Systems

We continued to focus on GSA's Y2K computer system conversions. We performed a detailed analysis of conversion efforts by the Federal Supply Service (FSS) and Public Buildings Service (PBS). We found that although FSS has converted its mission-critical systems for Y2K compliance, full system testing has not been completed, and there is a lack of adequate testing guidance for systems administrators and programmers. Moreover, FSS has not developed an operational backup plan if mission-critical systems fail. Consequently, FSS cannot be assured that all data exchanges will operate correctly. Additional work must be performed to ensure the proper operation of the system by the year 2000. PBS continues to make progress in converting and testing its mission-critical systems. However, to date, PBS's conversion efforts have focused only on the analysis and testing of application software. Additional testing of system components is needed. Because the Year 2000 date is rapidly nearing, our focus now is to evaluate the adequacy of the Agency's plan for maintaining continuity of operations in the event of potential system disruptions (page 2).

Y2K

LAN security

The Agency is relying increasingly on Local Area Networks (LANs) to electronically access critical computer applications and data and to conduct its daily business. Our LAN security review found that plans have not yet been developed to ensure the continuity of operations in the event these

Executive Summary

systems are disrupted. Also, we found that GSA data and computer applications are vulnerable to unauthorized access. Improvements in both management controls and physical security controls are needed to prevent unauthorized user access and the altering of LAN accounts, and also for the physical protection of LAN servers, backup tapes, and other LAN equipment (page 4).

Financial data

We also reviewed two processing systems for financial transactions designed to increase the efficiency of order preparation, improve overall financial management, and provide Internet access for data input, account status, and more accurate and timely data. We found both systems experienced delays in their implementation. However, we also found that when fully implemented, these systems can have a positive impact on the processing of financial information (page 5).

Electronic acquisition system

In addition, our review of a commercially available electronic acquisition system that was intended to improve the entire acquisition process disclosed that many users viewed the system as cumbersome and lacking user-friendly features, that basic procurement tasks take longer to perform than anticipated, and that the data generated by the new system contains errors that are difficult to correct. Consequently, the reports generated by the system may not accurately reflect current procurement activities (page 6).

Security guards

Building Security Assessments

The OIG continued to review GSA's progress in improving the security of Federal buildings. As part of an ongoing audit, we became aware of instances where contract security guards did not have proper background clearances and where the guards either failed the Federal Protective Service written test or failed to take the test. We concluded that the mission of the Federal Protective Service could be affected if security incidents were to occur involving improperly cleared contract guards (page 9).

Hazardous conditions

Health and Safety Issues

During this reporting period, several health and safety concerns were reported to management. We issued five alert reports noting hazardous conditions such as damaged asbestos insulation, elevator safety issues, and sewer and plumbing problems. These problems could pose health and safety problems to tenants (page 10). In another review, we looked at one region's efforts to implement the GSA Fire Safety Program which calls for periodically assessing and correcting fire safety conditions in both Federally-owned and leased buildings. We found instances where fire safety reviews of various buildings were not scheduled as required and instances where scheduled reviews were not performed. Regional management agreed to take corrective action to ensure that both the proper scheduling and follow-up of reviews occurred as planned (page 11).

Fire safety

Executive Summary

Multiple Award Schedule

Industrial funding

As part of our ongoing review of GSA's Multiple Award Schedule (MAS) Program, we reviewed the progress GSA was making to accurately set and collect its industrial funding fee, which is necessary to operate the MAS Program. We concluded that the current overall 1 percent fee is set higher than necessary to recover costs and that stronger controls were needed to ensure that contractors accurately report sales and promptly remit the related fees to the Agency. The higher-than-needed fee can result in customers paying higher prices than necessary. The timely and accurate collection of fees is critical because GSA relies on these fees to operate the program (page 12).

Other Program/Operational Reviews

Communications antennas

The OIG continued its ongoing reviews of major programs and operations throughout GSA's various components. One of these reviews, undertaken at management's request, involved a baseline assessment of one regional Antenna Program. GSA is the coordinating agency for the siting of commercial antennas on rooftops of Federal buildings to support the rapidly growing cellular and personal communications services industry. These commercial antennas also generate rent income. We found that although GSA has established a framework for conducting the program, controls are needed to ensure that lessees pay the Government for the utility costs associated with antenna operation. We also found that there was insufficient evidence to ensure that the Government is protected against liability claims, and that there was inadequate documentation to support negotiated prices (page 14).

Telecommunications payments

We conducted a review of controls over telecommunications payments. We concluded that controls did exist which ensured that legitimate payments were made to vendors for services and items purchased. However, we also found that various purchases were misclassified, resulting in improper financial statement records. For example, we found that computer equipment and software had been classified as contract services. GSA needs to properly classify purchases to ensure accurate financial statement records (page 7).

RWA process

We also reviewed the controls over several aspects of GSA's Reimbursable Work Authorization (RWA) process. GSA uses its RWA process as its agreement with customer agencies to make space alterations. We found inconsistent recording of transactions, incomplete documentation, and unreconciled performance data. These inaccuracies make it difficult for GSA to recover its costs and can lead to customer dissatisfaction. Additionally, GSA is in the process of implementing a new financial system that will place RWA data entry responsibilities at the field level. The proper recording of

Executive Summary

transactions and file documentation will be essential if the new financial management system is to provide for a better managed RWA process (page 17).

Regional reorganization

We also reviewed at management's request a regional reorganization designed to improve the delivery of services to the client agencies. We concluded that the region made progress toward implementing the reorganization. However, we pointed out that management should test, evaluate, and make changes as needed (page 15). In addition, we performed evaluations of the effectiveness of lease termination clauses and lease enforcement actions by regional officials. In one region, the lease termination clauses being negotiated by realty specialists are sometimes ambiguous and subject to misinterpretation. In another region, customers expressed dissatisfaction with the Agency in resolving problems with lessor performance (page 16).

Lease administration

Working with Government Performance and Results Act

In accordance with the Government Performance and Results Act of 1993, we performed reviews of selected GSA performance measures and made preliminary risk assessments of the internal controls over data supporting these performance measures. This period, we completed a review of two performance measures, Consolidation Savings and Market Penetration, as they relate to the Interagency Fleet Management System (IFMS) operations. We reported that GSA relies on data sources outside its control to support these two measures. Further, the data is not verified. Therefore, we concluded that there is a moderate risk that IFMS does not provide complete or accurate data to support the performance measures (page 19).

Procurement Integrity

An important part of the OIG's work is to support the Agency's contracting officers and to protect the integrity of GSA's procurement programs and operations by detecting and preventing fraud, waste, and abuse. Based on our audit and investigative work this period, the Government entered into nine settlement agreements in which companies agreed to pay over \$1.4 million to resolve potential civil liabilities under the False Claims Act. These contractors provided office machines, phone equipment, construction services, and portable and laboratory emissions testing equipment. The settlements involved allegations that the companies had misrepresented their commercial discount practices, had falsified certifications on construction projects, and had conspired to substitute products in violation of the False Claims Act and other statutory and contractual provisions (pages 20-22).

Executive Summary

We reviewed the Agency's courthouse construction and contracting practices. We found that the Agency has been effective in controlling costs for unwarranted upgrades and has worked effectively with the courts to benchmark costs and design decisions that meet design guides and congressionally set funding limits. However, the Agency needs to better collect data on contractor performance and evaluation and to improve its oversight of contractors it uses to provide both pre-construction services during the design phase of a project and construction inspections and change order evaluations during construction (page 22).

We also performed a review of the management controls for a regional small purchase procurement program. We concluded that management needs to monitor and verify small purchases made by bankcards, and to ensure that individual cardholders perform monthly reconciliations and adhere to spending limits. Without controls, there is little safeguard against potential misuse or waste, and no assurance that all procurements meet program needs (page 24).

Criminal Investigations

We completed an investigation that resulted in five former GSA building supervisors pleading guilty to taking bribes from GSA contractors. The five former employees were among a total of six Government employees and ten private contractors arrested for participating in bribery and kickback schemes in connection with maintenance and construction projects at various Federal buildings and offices (page 20).

In addition, we completed a number of other investigations, including an investigation into false representations made in the transfer of a barge crane as excess property (page 25), and an investigation into the conversion by a former captain of the Civil Air Patrol of Government surplus property for his own personal use (page 26).

Summary of Results

The OIG made over \$41 million in financial recommendations to better use Government funds, and in other program costs savings; made 269 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 262 legislative and regulatory actions; and received 1,012 Hotline calls and letters. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$83 million. (See page v for a summary of this period's performance.)

OIG Profile

The GSA OIG was established on October 1, 1978 as one of the original 12 OIGs created by the Inspector General Act of 1978. The OIG's five components work together to perform the missions mandated by the Congress.

Organization

The OIG provides nationwide coverage of GSA programs and activities. It consists of:

- **The Office of Audits**, an evaluative unit staffed with auditors and analysts who provide comprehensive audit coverage of GSA operations through program performance reviews, internal controls assessments, and financial and mandated compliance audits. It also conducts external reviews in support of GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions. The office also provides advisory and consulting services to assist Agency managers in evaluating and improving their programs.
- **The Office of Investigations**, an investigative unit that manages a nationwide program to prevent and detect illegal and/or improper activities involving GSA programs, operations, and personnel.
- **The Office of Counsel**, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG legislative/regulatory review functions.
- **The Internal Evaluation Staff**, a multidisciplinary staff that plans and directs field office appraisals and conducts internal affairs reviews and investigations.
- **The Office of Administration**, an in-house staff that provides information systems, budgetary, administrative, personnel, and communications services.

Office Locations

The OIG is headquartered in Washington, D.C., at GSA's Central Office building. Field audit and investigation offices are maintained in Boston, New York, Philadelphia, Atlanta, Chicago, Kansas City, Fort Worth, San Francisco, and Washington, D.C. Sub-offices are also maintained in Auburn and Cleveland.

Staffing and Budget

As of September 30, 1999, our on-board strength was 276 employees. The OIG's FY 1999 budget was \$32 million.

Major Issues

The OIG is committed to addressing major management issues facing GSA. We identified and shared with management some issues that present key challenges to the Agency. Our efforts this period include reviews and recommendations in several major areas that GSA management is taking steps to address. It is our intent to assist management in improving Agency operations.

Significant OIG Accomplishments

Technology and Information Systems

Year 2000 Conversion Efforts

In prior reviews of GSA's Year 2000 (Y2K) computer system conversion efforts, we reported that the Agency's initial planning for conversion needed to be improved, schedules had not been developed, progress was difficult to quantify, and much work remained. This period, we performed a more detailed analysis of Y2K conversion efforts related to GSA's mission-critical systems within the Federal Supply Service (FSS) and the Public Buildings Service (PBS) because of the essential functions each of these Services performs, and risks we identified during prior audits.

Federal Supply Service

FSS has converted its mission-critical systems. However, it is difficult to evaluate the adequacy of the work because FSS needs to fully document the changes made and complete all necessary testing phases. Risks exist because no test guidance was provided to systems administrators and programmers, an independent verification and validation was not utilized for the initial tests performed, and newly developed systems were not tested. Full system testing for converted systems, as well as those recently developed, were scheduled for completion by June 1999, 3 months past the Office of Management and Budget's deadline for Y2K conversion and implementation of mission-critical systems. Additional work is needed to ensure all data exchanges will operate correctly in the Year 2000, including testing the exchanges and including them in the Business Continuity and Contingency Plan.

Our June 8, 1999 report recommended that the Commissioner, Federal Supply Service:

- Develop system test guidance and provide the guidance to system administrators and programmers to ensure all necessary dates are consistently tested in all 18 mission-critical systems and adequate documentation is retained on tests performed.
- Fully employ the independent verification and validation contractors to review all systems.

Risks exist due to lack of adequate guidance, verification, and testing.

Major Issues

- Ensure that documented agreements have been finalized with all data exchange partners on Year 2000 data exchange formats, and test modified data exchange formats.
- Develop detailed contingency plans that ensure acceptable levels of output and services, establish business resumption teams, identify roles and responsibilities, fully test the plans, and revise as needed.

Public Buildings Service

While PBS has continued to make progress in converting and testing its mission-critical systems, a significant amount of work remains to ensure that these systems will operate correctly in the Year 2000. Risks exist within all PBS mission-critical systems because PBS's conversion efforts have focused on the analysis and testing of the application software only and have not adequately considered all system components.

PBS has identified data exchanges with other Federal agencies and with other GSA organizations, but still needs to determine the number of data exchanges among its own systems and ensure that all exchanges are documented and tested.

In our July 9, 1999 report, we recommended that the Commissioner, Public Buildings Service:

- Ensure that all system components of each mission-critical system have been analyzed for potential Year 2000 problems, all potential problems corrected, and each system fully tested.
- Complete work to ensure all data exchanges will operate correctly in the Year 2000 and that formats for data exchanges are agreed upon, documented, and tested.
- Complete development of a comprehensive Business Continuity and Contingency Plan and conduct full testing of the plan.

Responsive management action plans were provided for implementing the recommendations in the reports.

Because the Year 2000 is rapidly approaching, with the attendant risks that exist in the conversion and testing, development of a Business Continuity and Contingency Plan is crucial to ensure that GSA will be able to operate effectively. We are currently reviewing the adequacy of the Agency's plan.

Major Issues

Local Area Network Security Risks

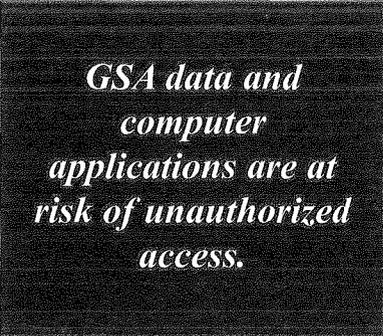
Local Area Networks (LANs) have become a key information technology component for both government organizations and private sector companies by facilitating computer data processing and communication needs. A LAN serves as a data communication system that allows independent devices to communicate directly with each other within a moderately sized geographic area. GSA is increasingly relying on LANs to electronically access critical computer applications and data, making LANs a vital link in GSA's day-to-day business activities such as electronic mail. As more and more GSA applications evolve into the client-server computer environment, there is a commensurate increase in risk.

Our LAN security review noted that plans have not been developed to ensure that adequate controls are provided and that contingency procedures are in place to ensure continuity of operations in the event that these systems are disrupted. Additionally, GSA data and computer applications are at risk of unauthorized access. Management practices for providing user access to LANs, including adding and deleting LAN accounts and applying LAN passwords, are inconsistent and inadequate.

In addition, physical security controls need to be implemented at all regional sites. In one region, while access to the server room is controlled by an electronic access control mechanism, the code to this lock has not been changed as needed to reflect contractor and Government employee turnovers, or changed on a periodic basis. Security was lax in that backup tapes were stored in an unlocked cabinet with the key in the lock, and LAN servers had keys in their locks, which would enable anyone with access to the server room to easily shut off LAN equipment.

Finally, remote access is one of the most significant security concerns for GSA systems because these connections increase the risk of unauthorized system access by potentially anyone who can utilize communications software. Recognized by GSA as a security risk, the Chief Information Officer has begun to implement a standard approach for remote access to help mitigate these risks. Security policy and procedures on remote access are necessary to ensure that all remote access methods utilized within GSA have adequate system and operational controls to ensure that only authorized users are permitted to access LANs.

The report concluded that GSA cannot protect the integrity, confidentiality, and availability of information that is stored and processed over its LANs without ensuring that all involved employees and contractors understand their roles and responsibilities for protecting LAN resources, and are adequately trained to perform required security responsibilities.



GSA data and computer applications are at risk of unauthorized access.

Major Issues

Our September 30, 1999 report recommended that GSA's Chief Information Officer take necessary actions to:

- Ensure that all GSA components develop adequate LAN security plans.
- Establish agency-wide processes for managing GSA's LAN user accounts, configuration management, and contingency planning.
- Identify necessary security controls for remote access to GSA LANs.
- Establish policies and procedures to ensure that mandatory security awareness training is provided for all LAN users and administrators.

Management agreed with the recommendations in the report. The audit is still in the resolution process.

Improving Automated Systems Usage

GSA introduced two new financial transaction processing systems in FY 1998 and FY 1999. The Information Technology Solutions Shop was developed to increase the efficiency of order preparation. The Integrated Task Management System was developed to provide an automated financial management tool for the Federal Acquisition Services for Technology and Federal Information Systems Support programs.

The two systems are designed to operate as an integrated unit. Together, they will provide Internet access for data input and account status and improved timeliness and accuracy of data. Additionally, these systems perform vital functions in relation to the interface with GSA's accounting and reporting system that controls, records, classifies, and summarizes financial transactions to meet Federal accounting requirements.

Agency management officials were interested in understanding why there had been unusual delays in the implementation of the two systems throughout the regions. We were able to determine that users did not recognize the benefits of the systems, problems with response times and interfaces were present, and implementation timetables were unrealistic in terms of the systems' capabilities.

When these systems are fully implemented, they have the potential to have a positive impact on the financial information for the Information Technology Solutions program. Overall, the average procurement processing cycle can be reduced from 120 days to approximately 54 days.

*Fully implemented,
these systems can
have positive impact
on financial
information for the
IT Solutions
Program.*

Major Issues

In our September 17, 1999 report to the Commissioner, Federal Technology Service, we recommended that management:

- Continue to emphasize the benefits of using the two automated systems.
- Increase focus towards correcting system problems.
- Work with regional representatives to review the current systems' implementation schedules and revise the timetables as necessary, based on system capabilities.

The Commissioner agreed with the recommendations in the report. The audit is still in the resolution process.

Assessing Acquisition System Implementation

GSA acquired the commercially available Electronic Acquisition System-Standard Automated Contracting System (EAS-SACONS, the System) in 1995 to provide PBS with a fully automated acquisition process from the initial requisition of supplies and services through the post-award contract audit phase. The System was planned to support easy multiple-user access to procurement data while improving contract award, administration, and closeout functions that were previously provided by the Federal Acquisition Management and Evaluation System. Additionally, the System was expected to provide benefits with electronic commerce capabilities through the introduction of electronic data interchange links with PBS vendors. Although the total contract award value was \$5.2 million, the Agency has spent \$5.4 million for the System and another \$6.6 million in implementation costs.

PBS must decide to either improve the EAS-SACONS or replace it.

Our review found that many users viewed the new System as cumbersome and lacking in user friendly features. As a result, basic procurement tasks take longer to perform than under the previous system or by other means, including manual paper forms processing. Further, the new System did not provide users needed capabilities, such as an alert feature for purchases made under indefinite quantity contracts that have reached a ceiling level. Finally, the System has an automated interface with the Government Procurement Data System (GPDS), which meets Federal reporting requirements for disseminating procurement data to the Congress, the Executive Branch, and the private sector. However, the data generated by the System for the GPDS contains errors that are difficult and time consuming to correct, and many users enter required reporting data long after procurement actions are completed due to difficulties in using the new System. As a result, reports may not accurately reflect PBS's current procurement activities.

Major Issues

Organizational changes within the PBS procurement environment and a lack of management support for the System throughout its implementation have added to implementation risks, such as proceeding under accelerated time-frames to deploy the System throughout all regional and field offices before identified problems were fixed. Without an effective implementation plan, users have little guidance on how to transition from their old procurement practices to EAS-SACONS. Also, training should be provided to the users for day-to-day operation of the System.

We concluded that implementation of the System has reached a critical point as PBS addresses ongoing concerns among the user community, and performs a post-implementation review of the System to evaluate its performance. An opportunity exists to build a firm foundation for either an improved EAS-SACONS or a replacement system.

Our May 12, 1999 report recommended that the Commissioner, Public Buildings Service take the following actions:

- Establish business goals and procurement functions to be supported by an electronic acquisition and contract management system.
- Compare the costs and benefits of improving EAS-SACONS to potential replacement systems.
- Develop an effective implementation strategy for an improved EAS-SACONS or a replacement system.
- Direct the PBS Office of the Chief Information Officer and business line representatives to jointly develop performance measures to assess planned operations for either an improved EAS-SACONS or a replacement system.

Management agreed with the recommendations in the report. The audit is still in the resolution process.

Controls Over Telecommunications Payments

GSA delivers a full range of telecommunication and information technology products and services to its customers. In FY 1997, the Agency spent over \$112 million for operations, excluding items such as salaries and reimbursable expenses. The majority of these expenses were for other contract services and equipment. Recent audits have revealed recurring findings where increased emphasis on customer service has overshadowed the need to comply with established controls, rules, and regulations.

*Improved controls
are needed to
properly classify
purchases for
financial reporting.*

Major Issues

Our review of controls over telecommunications payments disclosed that expenditures were made to vendors for legitimate purposes and the items purchased were verifiable. However, improved controls were needed over the classification of purchases to ensure proper reporting in the financial records. Government agencies are required to correctly classify expenditures in their financial records so that items such as equipment purchases over a certain dollar threshold are capitalized and depreciated. GSA did not always properly classify purchases, resulting in inaccurate financial statement records.

More than \$1.4 million of computer equipment and software had been charged as other contract services, rather than as equipment that should be capitalized and depreciated. Transactions were misclassified because individuals involved in the classification process were unfamiliar with the Agency's standards for capitalization and recognizing assets and related depreciated expenses, and pertinent guidance was not sufficiently clear.

In our May 26, 1999 report, we recommended that the Commissioner, Federal Technology Service:

- Establish a website to provide procurement personnel necessary guidance on classifying equipment and current policy updates to regulations and procedures.
- Ensure that contract specialists and finance personnel receive periodic training on current policies and procedures.

A responsive management action plan was provided for implementing the report recommendations.

Building Security Assessments

Building Security Countermeasures Program

Since the 1995 bombing of the Federal Building in Oklahoma City, GSA's Federal Protective Service (FPS) has had an increased responsibility for security and law enforcement in Federal facilities. Because of the heightened sensitivity of the Agency's security mission, the OIG has directed its reviews towards major activities within FPS. As highlighted in our November 1997 semiannual report, our review of FPS' criminal investigation function pointed out that the safety and protection of Federal employees and property is potentially being compromised because regional criminal investigation activities were operated autonomously, with no program accountability or measurable performance standards. GSA management has made significant progress in addressing the issues included in our prior audit reports and has made significant improvements to the safety and security of Federal employees and property.

Major Issues

In the past 2 years, our audit activity has focused on GSA's upgrading of security at Federal facilities. In a series of reports, we noted that GSA was not accurately reporting the status of security enhancement equipment, had misused enhancement funding, and had not planned for the use of about \$2 million of equipment found in storage. We have since also conducted reviews at specific Government facilities to assess the status of security countermeasures taken. As appropriate, we have notified Agency management of our concerns where security enhancements need to be improved.

This period, we began our final phase of the FPS program review which will continue into FY 2000. This phase focuses on GSA's Contract Security Guard Program. While this program review is currently ongoing, we have already alerted management to significant concerns warranting immediate attention.

Contract Security Guards

GSA contracts with private security firms for both armed and unarmed guards at Federal facilities. Currently, there are over 5,500 contract security guards nationwide. Before a prospective employee can be assigned to a GSA contract, the individual must undergo a limited criminal history background check and pass a FPS-administered written examination.

This reporting period, during our ongoing audit, we became aware of conditions that warranted immediate attention. In the two regions being surveyed, we noted a number of instances where guards were on post without proper background clearances. In addition, in one of the regions, guards were on post after failing to pass the FPS written test, and others were on post without ever having taken the test.

Considering the increased sensitivity and awareness of Federal building security, the FPS mission could be severely affected if incidents were to occur involving improperly cleared contract guards. As such, we suggested that all FPS regions take measures to ensure that all guards on active duty have received a valid up-to-date background clearance and have passed the required GSA test.

Since our review is continuing, the June 7, 1999 alert report to the Assistant Commissioner, Federal Protective Service, was informational only and was not subject to the resolution process. The subject matter will be addressed further in our report on the Security Guard Program.

The FPS mission could be severely affected by the use of contract guards who lack proper background clearances or have not passed required tests.

Major Issues

Health and Safety Issues

Health and Safety Hazards

GSA is being challenged to provide quality space to Federal agencies with an aging, deteriorating inventory of buildings. Property Management Centers, located throughout the country, meet the needs and requests of Government agencies that occupy space in the buildings. In general, the Center activities include procurement, asset management, and contract and lease administration.

During an ongoing Property Management Center review in one region, we found several health and safety concerns that warranted immediate reporting to management. Five alert reports were issued this period, noting hazardous conditions in five buildings. The reports discussed the presence of damaged asbestos insulation, elevator safety, and sewer and plumbing problems, often exacerbated by the age of the buildings.

Damaged asbestos insulation posed a serious health and safety threat to occupants in two of the buildings. In one building, the insulation was located next to the door of an air handler that supplied air to two courtrooms and judges' chambers. In the second, the deteriorating and friable asbestos insulation was present in the path of air distribution systems throughout the facility. The potential for exposure to asbestos contamination with airborne fibers is significant in both buildings.

Elevators did not always level accurately in one building, resulting in two injury accidents. The equipment is old and requires frequent attention and the contractor did not perform the necessary adjustments and replacement of worn or defective parts to assure reliable elevator operation. In another building, the elevators had not undergone routine, periodic or rated-load safety tests since 1987. There were no inspection records to show that the elevators met safety codes and were safe to ride. We pointed out that not only did contractors for both of these buildings receive payment for work not performed, they also jeopardized the safety of Federal employees and building visitors who use the elevators by not performing the required maintenance, tests, and inspections.

Our on-site inspection of another building revealed that a toilet located in the boiler house, when flushed, flowed into a large sump well instead of into the city sewer, in violation of city, state, and national plumbing codes. Additionally, the pump in the sump well ejected rainwater mixed with the raw sewage from the toilet out onto the ground beside the boiler house. Although the contractor first identified this problem and reported it to GSA in March 1998, funds were apparently not available to correct the problem at that time.

A regional review revealed damaged asbestos insulation, faulty elevators, and sub-code plumbing pose hazardous conditions in Government-occupied buildings.

Major Issues

Our reports, dated April 21, 1999, April 30, 1999, June 10, 1999, July 2, 1999, and August 20, 1999, contained no formal recommendations. However, as a result of our alert reports to management, corrective actions have been or are being taken in four of the five buildings to eliminate the reported problems. We advised the Regional Administrator in each of these reports that the identified conditions will be included in the final report to be issued at a later date addressing our overall evaluation of the Property Management Center management and administration practices.

Scheduling Fire Safety Surveys

Part of GSA's mission is to provide a safe and healthful working environment for Federal employees. This includes periodically assessing fire safety conditions in both owned and leased buildings under the Fire Safety Program.

The OIG reviewed the Fire Safety Program in one region to see if it was effectively meeting the Agency's mission. The program carries the responsibility for assessing risk, correcting deficiencies, performing preventive maintenance checks of fire safety systems, and providing guidance to GSA and client agencies related to fire safety issues. It also must ensure that design and construction projects are adequately reviewed for compliance with national fire protection codes and standards.

*Improvement is
needed in scheduling
fire safety assessment
surveys.*

We found that the regional program's mission and goals were generally being met. However, improvement was needed in the process for scheduling fire assessment surveys. Fire safety surveys are performed on a 5-year cycle, and once completed, assessment data is entered into a computer tracking system that automatically generates a new survey schedule for 5 years hence. However, when scheduled surveys were not performed for a variety of reasons, the program did not have an effective process to monitor missed surveys and assure that buildings were rescheduled as necessary for the safety assessments. Of the 37 buildings identified as being off-schedule, we noted that three had not been surveyed since 1988.

During the review, when this condition was brought to management's attention, corrective action was initiated to improve the scheduling of the surveys.

In our September 10, 1999 report, we recommended to the Regional Administrator that the Safety, Environment and Fire Protection Branch closely monitor the implementation of the new procedures for scheduling assessment surveys to ensure they are performed on a cyclical basis. Regional management agreed with the recommendation in the report. The audit is still in the resolution process.

Major Issues

Evaluating the Industrial Funding Fee

The GSA Multiple Award Schedule (MAS) Program provides Federal agencies with a simplified process for acquiring commonly used products and services at volume pricing. In FY 1995, the MAS Program became industrially funded. The Agency adds a fee to product prices to collect the funds necessary to operate the program. As part of the purchase price, customer agencies pay the fee to contractors who subsequently remit the fee to GSA.

In a previous review of the fee collection process, the OIG identified that controls needed to be strengthened to accurately identify and collect the fee, as well as enhance program management. GSA also reported in its 1997 Annual Report that improvements were still needed in the reconciliation of sales data and fee payments. This period, we performed a review to assess the progress made.

We concluded that the 1 percent fee currently added to item prices no longer approximates a break-even point and is set higher than necessary to recover program costs. Controls are also needed to ensure that contractors properly remit fees. Although adjusting the fee is a complex and costly process, the Agency must determine under what conditions it will revise the fee.

The generally accepted concept of the industrial funding fee is to recoup only program costs. Initially, the fee was set at 1 percent with the expectation that it would be reduced as MAS sales increased. In each of the past 2 fiscal years, the fee generated about \$30 million in revenue above costs, and is expected to do the same in FY 1999. This has occurred, in part, because actual program sales were higher than projected primarily due to the addition of the Information Technology Acquisition Center to the MAS Program.

We viewed the impact of this higher fee as twofold: the program takes in more than intended with customers paying higher prices than necessary, and it masks the losses on parts of GSA's operations for other supply programs. The Agency combines the results from each of its six supply programs (of which the MAS Program is one) and deposits the fees in the General Supply Fund. Although GSA is required to return excess funds to the Department of the Treasury, it determines the excess on the basis of the net results of the General Supply Fund and not on individual business segments.

Our report also concluded that GSA needs strong controls to ensure that contractors accurately report their sales and promptly remit the fees due the Agency. MAS Program contractors collect the fee as part of the price paid by customer agencies purchasing the product. Each contractor is then required to remit the fee to GSA. Collection of the fee from the contractors is critical since the fee provides the funds to operate the program. In

The IFF should be adjusted to bring revenues in line with Multiple Award Schedule Program costs.

Major Issues

FY 1998, contractors reported MAS sales of \$7.6 billion, with \$80.9 million in revenue generated for GSA. As of November 1998, contractors owed about \$2 million in outstanding fees.

In our May 28, 1999 report, we recommended that the Commissioner, Federal Supply Service:

- Adjust the fee to bring revenue in line with costs.
- Establish criteria for determining when future fee adjustments are needed.
- Revise controls to include a risk-based approach to verifying contractor reported sales data.
- Strengthen controls over the fee collection process.
- Develop management reports to improve oversight of the process.

Management concurred with the intent of the recommendations for adjusting the fee and concurred that controls need to be strengthened with regard to verifying and collecting the fee. We agreed with management that due to the Agency closure of the distribution centers subsequent to the issuance of our report, changing the fee would be difficult at this time, since the fee is based on operational costs affected by the closure. Agency management has agreed to routinely monitor program costs, growth of schedule sales, and market-place conditions to determine criteria for establishing when to adjust fees, and if needed, to adjust the fee when conditions stabilize.

A responsive management action plan was provided for implementing the report recommendations.

Other Reviews of GSA Programs

GSA is a central management agency that sets Federal policy in such areas as Federal procurement, real property management, and telecommunications. GSA also manages diversified Government operations involving buildings management, supply facilities, real and personal property disposal and sales, data processing, and motor vehicle and travel management. Our audits examine the efficiency, effectiveness, and integrity of GSA programs and operations, and result in reports to management. Our internal audits program is designed to facilitate management's evaluation and improvement of control systems by identifying areas of vulnerability and providing informational and advisory services.

Significant OIG Accomplishments

Management controls and administrative practices within several program areas were either weak or lacking.

Regional Antenna Program Concerns

GSA's Antenna Program could expand significantly as a result of recent Federal initiatives to support the needs of the rapidly growing cellular and personal communications services industry. Industry observers estimate a need for 100,000 new commercial antenna sites by the year 2000.

A 1995 executive memorandum directed Governmentwide cooperation with the siting of commercial antennas on rooftops of Federal buildings, and named GSA as the coordinating agency. As of January 1999, one Agency region had 44 antenna sites leased out on its Federally-owned and leased buildings. These 44 outleases will generate about \$850,000 in annual rental income. The number of antenna outleases and the related income is expected to grow significantly in the next year. Following a regional reorganization, management requested OIG assistance in attaining a baseline assessment of the Antenna Program.

We concluded that, while the region had established a framework for conducting the program, management controls and administrative practices for several areas were either weak or lacking. If these weaknesses are not corrected, they could magnify and become problematic, especially if the program expands as currently projected. The lack of adequate controls and guidance highlighted problems or concerns, such as:

- **Cost of utilities was not reimbursed by the clients.** Lease agreements require the lessee to pay for services and utilities to operate its antenna site equipment. The lessees, however, have not yet installed separate meters at many sites. Utility costs at two sites are estimated at about \$5,000 to \$6,000. These costs were borne by the Government at these and many other locations. No one in GSA has been assigned responsibility for assessment and collection of utility costs.
- **Insufficient evidence of liability protection was found.** Many lease files lacked documentation to show that lessees have the required liability

Other Reviews of GSA Programs

insurance so that the Government is indemnified against potential claims. There are no procedures to ensure lessee compliance.

- **Price derivation and reasonableness was inadequately addressed.** Each antenna site is unique and there is no standard price schedule to refer to in negotiating lease rates. Thus, it is particularly important that contracting personnel adequately document their negotiation strategies to show that the negotiated prices are reasonable.
- **Risk of security breaches has increased.** Lessee employees are allowed unrestricted access to Federal rooftops but they are not screened for security purposes.
- **Outleasing function is inappropriately staffed.** The primary function of the outleasing staff is to negotiate and administer outleases. Two of the three individuals on the outleasing staff are private sector contract employees. Management needs to ensure that inherently Governmental functions, i.e., outlease negotiations, are staffed and performed only by Agency employees.

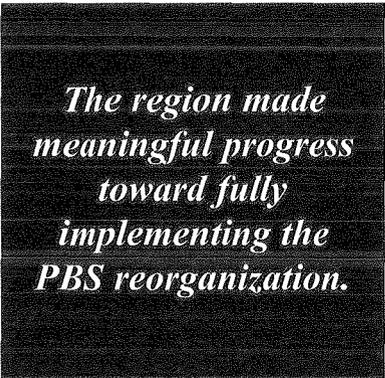
In our April 20, 1999 report to the Regional Administrator, we recommended that specific management controls and program guidance for the Antenna Program be developed and formally implemented.

A responsive management action plan was provided for implementing the report recommendation.

Regional Reorganization Efforts

In its continuing effort to provide quality service and a singular, seamless Agency contact to its customers, the Public Buildings Service in one region reorganized its structure. The new organization involves established service delivery teams to serve specific customers regardless of their geographical location within the region. Customers are assigned to one delivery team that will handle all their needs. Previously, GSA services were provided by a hierarchical department structure, with functional groups operating within designated geographical boundaries, requiring client customers to deal with multiple Agency contacts to meet their various requirements.

At the request of the Assistant Regional Administrator, the OIG reviewed the new organizational structure. Our review was done to determine if the new structure provides sufficient continuity to ensure that the needs of client agencies, and also of regional officials, are met.



*The region made
meaningful progress
toward fully
implementing the
PBS reorganization.*

Other Reviews of GSA Programs

In our August 23, 1999 report, we concluded that the region made meaningful progress toward fully implementing the reorganization. The region has the communication processes, financial information, and broad management controls necessary to accomplish a successful change. However, we pointed out that management should continually test, evaluate, and make changes as needed in order to achieve optimum results as the new organization adapts itself to changing goals.

Since the new organization is in transitional development, we did not include formal recommendations in our report.

Refining Lease Administration

Being the largest civilian landlord in the country and striving to be the preferred provider of space to all Federal agencies, GSA must continue to improve its lease acquisition process to better serve its customers.

This period, OIG reviews at two regional offices showed that improvements were needed in lease administration. In one region, the lease termination clauses being negotiated by realty specialists are sometimes ambiguous and subject to misinterpretation. In one case, poorly worded clauses resulted in the Government paying about \$67,000 annually for residual fragments of leased office space. Such space should have been returned as part of larger and contiguous amounts of unneeded space.

Also, occupancy agreements between GSA and the client agency are not being consistently used for all space assignments. In some instances, preliminary agreements are not prepared because the required financial summary is time-consuming to complete and the data changes frequently as the project progresses. When agreements are not prepared until the assigned space is complete and final costs are in, oftentimes tenant agencies will question the dollar amounts and refuse to sign the agreements.

In another region, customers expressed dissatisfaction with the Agency in resolving problems with lessor performance. GSA needs to follow up with customers and lessors to assure that corrective actions are accomplished. In some cases, safety issues were not promptly corrected and other lessor performance issues went unresolved for more than 2 years. In addition, GSA needs to ensure that monetary deductions are taken when lessors fail to provide contract-required items or to correct deficiencies.

Our two reports, dated May 11 and August 20, 1999, directed recommendations to the Assistant Regional Administrator, Public Buildings Service, and Regional Administrator, to ensure that:

Agency follow-up with customers and lessors is needed to assure lease performance problems are resolved.

Other Reviews of GSA Programs

- The contracting officer, in consultation with appropriate individuals, substantiates that the language in the termination clause is clear and concise, and establishes an acceptable level of financial risk for the Government.
- The contracting officer should issue a lease amendment to clarify the intent of termination clauses, if necessary.
- Lease administration personnel are actively involved until initial lease deficiencies are resolved, and are available to communicate with customer agencies to resolve disputes as needed to enhance customer satisfaction.
- Lease administration personnel use more aggressive lease enforcement actions, such as taking deductions, when lessors do not meet contract requirements.

No formal recommendation was made concerning the occupancy agreements because, as a result of our review, the Agency issued an internal memorandum to explain these documents and specify when they are mandatory. The memorandum also emphasized the necessity that these agreements be signed by the tenant agency.

Management agreed with the recommendations in the reports. The audits are still in the resolution process.

Controls over RWA Expenditures

In FY 1997, GSA introduced a series of initiatives aimed at improving the process by which it delivers space alteration services to customer agencies. The initiatives focused on alteration practices, examining possible methods on how to accomplish alterations, and reduce administrative burdens while improving efficiency. The agreement between GSA and the customer agency for above standard alterations is known as a Reimbursable Work Authorization (RWA).

While prior audits found that the RWA delivery process had improved, this period our review disclosed that existing management control activities to prevent and detect inaccurate RWA information in the financial records are not being performed consistently. These inaccuracies undermine GSA's ability to recover its costs and increase the risk of customer dissatisfaction.

We found that control activities to record transactions, document files, reconcile performance data, and manage RWAs were not being performed consistently to ensure the accuracy of financial information. GSA is in the process of implementing a new financial system that will place data entry for

Control activities to prevent and detect inaccurate RWA information are not being performed consistently.

Other Reviews of GSA Programs

RWAs at the field office level. As various accounting and information reports are eliminated, new enhanced features can be used to better manage RWAs.

In our September 28, 1999 report, we recommended that the Commissioner, Public Buildings Service:

- Review and correct RWA financial data before or as it shifts from the old to the new financial system.

Strengthen the management control system by:

- Adjusting controls to meet the changed RWA process and the new financial system.
- Updating and documenting policies on accountability and responsibility for the financial management of RWAs.
- Providing initial and continuing training to personnel on the use of the new financial process and the implementation of management controls.

The Commissioner agreed with the recommendations in the report. The audit is still in the resolution process.

Working with the Government Performance and Results Act

One of the most significant pieces of legislation passed to improve the effectiveness of Government programs is the Government Performance and Results Act of 1993 (GPRA). The focus of the Act is to hold public managers more accountable for achieving desired program outcomes. The Congress also envisions that the Offices of Inspector General will play a key role in fostering sound implementation of GPRA.

GPRA requires each Federal agency to develop annual performance plans consistent with the agency's Strategic Plan. The performance plans establish measurable goals and indicators to provide a basis for comparing actual program results with the established performance goals for each program activity set forth in the budget of the agency.

During recent years, the OIG has been performing selective reviews of GSA's performance measures as reported by the Office of the Chief Financial Officer in the Agency Annual Report. This period, we completed a review of two performance measures, Consolidation Savings and Market Penetration, relating to Interagency Fleet Management System (IFMS) operations.

Our limited audit was designed to determine if systems, policies, and procedures are in place, and are adequate and effective, to ensure the existence, completeness, and accuracy of the data supporting these measures.

We reported that GSA relies on data provided by sources outside of its control to support the two measures, and does not verify or validate that information. Therefore, there is a moderate risk that the policies and procedures used by IFMS do not provide reasonable assurance that the data supporting the Consolidation Savings and Market Penetration performance measures exist, are complete, and are accurate. We will continue to review and report on the Agency's GPRA measures in a sequence so as to help ensure full implementation as required under the Act.

The April 15, 1999 report contained no formal recommendations.

GSA relies on data provided by sources outside its control to support the measures.

Procurement Activities

GSA is responsible for providing working space for almost 1 million Federal employees. GSA, therefore, acquires buildings and sites, constructs facilities, and leases space, and also contracts for repairs, alterations, maintenance, and protection of Government-controlled space. GSA also operates a Governmentwide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. We review these procurements both on a preaward and postaward basis to ensure that the taxpayers' interests are protected.

Significant OIG Accomplishments

“The widespread bribery and kickback schemes revealed by this investigation deprived taxpayers of the honest services of the GSA employees....”

*Zachary W. Carter,
U.S. Attorney for the
Eastern District of
New York.*

Five GSA Building Supervisors Plead Guilty to Taking Bribes

On June 29 and 30, 1999, five former GSA building supervisors pled guilty in U.S. District Court to taking bribes from GSA contractors. Sentencing is pending for all five subjects. The five employees were among a total of six Government employees and ten private contractors arrested on October 6 and 7, 1998. The arrests were the culmination of a 2-year investigation by the OIG regarding bribery and kickback schemes in connection with GSA maintenance and construction projects at various Federal buildings and offices. The arrests constituted one of the largest GSA corruption prosecutions in GSA's recent history. The charges against the other eleven individuals are pending. The OIG investigation was initiated after a GSA manager reported suspicious conduct on the part of a GSA employee.

Over \$1.4 Million in Civil Recoveries

During this period, the Government entered into 9 settlement agreements in which companies agreed to pay a total of over \$1.4 million to resolve their potential civil liabilities under the False Claims Act. These agreements, negotiated by representatives of the Department of Justice and the GSA OIG, reflect the ongoing efforts of the OIG to pursue cases involving procurement fraud and other practices that threaten the integrity of the Government's procurement process.

Many of these cases involved procurements under GSA's Multiple Award Schedule (MAS) Program. Under this program, GSA negotiates contracts with a number of vendors who may then sell contract authorized products to Federal agencies at established contract prices. Consistent with the provisions of the Truth in Negotiations Act and the Competition in Contracting Act, the process is based on the principles of full and open disclosure and fair negotiations. Vendors must provide current, accurate, and complete pricing information—including information about discounts granted their most favored commercial customers—during contract negotiations. Relying on this information, GSA contracting personnel then seek to obtain the best possible prices for the Government. In cases where vendors fail to

Procurement Activities

provide current, accurate, or complete information, the Government may pay artificially inflated prices for products and services purchased. Highlights of these cases follow.

- Datacard Corporation (Datacard) agreed to pay \$600,000 to settle its potential civil False Claims Act liability. The Government alleged that Datacard misled GSA contracting officials in the course of negotiating its MAS contract to provide office machines. The company represented that the range of discounts it was offering to its other customers were off of its list price when, in fact, the discounts were off of its net prices. This misrepresentation led GSA to agree to higher prices than it would have, had it known the actual baseline for the company's discounts.
- Lucent Technologies, successor-in-interest to AT&T Corporation's equipment operations, paid the Government \$360,000 to settle overcharging allegations in connection with the leasing by the Government of key common phone equipment from 1984 to the present time. A significant portion of these overcharges were attributable to GSA, both for its own leasing of this equipment and for telephone services GSA procured for other tenant Federal agencies during the relevant time period. The settlement arose out of a class action suit in which the Government was a member of a class, along with regular commercial customers.
- Buckner and Moore, Inc. was the contractor on a 1993-1996 construction contract with GSA to remodel the U.S. Courthouse Building in Oklahoma City. GSA also entered into a design contract with Glover Smith Bode, Inc., to provide architectural and engineering services in connection with the remodeling contract. After the contracts were completed in 1996, a dispute arose involving the requirements of the specifications and the quantity of materials incorporated into the fire alarm system for the building. The dispute was referred to the U.S. Attorney for the Western District of Oklahoma, based on alleged falsification of certifications involving the design and installation of the fire alarm system. The matter was settled on August 4, 1999, for payment in the amount of \$250,000 by Buckner and Moore, Glover Smith Bode, and several of their subcontractors, as well as for correction and modification of the faulty alarm system to comply with all contract specifications.
- The successors-in-interest to Neotronics of North America, Inc. (Neotronics) agreed to pay \$210,000 to settle Neotronics' potential False Claims Act liability for engaging in defective pricing in the negotiation of its MAS contract to provide portable and laboratory emissions testing equipment. The Government alleged that officials of Neotronics deliberately misled GSA contracting officials by misrepresenting the discounts it offered to its distributors and dealers.

Procurement Activities

- Western Tile and Marble was a subcontractor on the construction of the Mark O. Hatfield U.S. Courthouse in Portland, Oregon. During the project, an investigation determined that Western Tile had conspired to intentionally substitute limestone used for the stone cladding on the interior and exterior of the courthouse. On April 19, 1999, Western Tile agreed to pay \$21,000 to settle its potential civil False Claims Act liability. As part of the resolution, Western Tile and Hoffman Construction, the prime contractor, agreed to reduce their claims for equitable adjustment by \$3.48 million.
- A retired GSA employee agreed to pay \$13,000 to settle his civil False Claims Act liability for submitting fraudulent travel vouchers to GSA and the Office of Workers' Compensation, U.S. Department of Labor.

GSA has been effective in controlling costs for unwarranted upgrades, but should employ performance data in procurement decisions.

Courthouse Construction and Contracting Practices

GSA is in the midst of an aggressive major construction program to build 160 new courthouses projected to cost over \$8 billion. Over 100 of the scheduled courthouses have yet to be approved or funded. In FY 1999, Congress funded 14 courthouses for \$462 million. For FY 2000, GSA has proposed 16 additional courthouses projected to cost \$535 million.

As a follow-up to a previous audit on bidding and contracting practices on GSA's major construction projects, the OIG performed a review of the Agency's courthouse construction and contracting practices. We found that the Agency has been effective in controlling costs for unwarranted upgrades in new courthouse design and construction projects. Also, GSA developed a cost benchmark computation model and worked with the courts, design architects, and project officials to promote design decisions that are in line with the revised U.S. Courts Design Guide, and congressionally approved funding limits.

We noted, however, that the Agency needs to employ a nationwide system to collect and recover contractor past performance evaluation information when making source selection procurement decisions. Since 1995, GSA has tried, without success, to have regional performance evaluations compiled into a computer database maintained by Central Office. Although the system was revised in March 1999 to allow online input and retrieval of evaluation data, most contracting officials do not yet have access to the revised system, are not inputting data, or are not using the system in source selection decisions.

In addition, GSA is encouraging the use of private sector practices to improve the construction program. One such practice is the Construction Manager as Constructor (CMC), which is a procurement process that awards

Procurement Activities

a contract for pre-construction and construction services during the design phase of a project. The CMC works with the architect/engineering firm (A/E) and the CMC's subcontractors to match the building scope to the budget, and provides constructibility reviews of the architect's drawings, construction cost estimates, and assistance to the A/E in defining building systems and finishes.

We concluded, however, that independent oversight of the CMC's work is needed because of potential conflicts of interest during construction when GSA relies on the CMC to inspect the work of its own subcontractors, and to evaluate their change order pricing. Independent oversight would also improve Agency controls over construction contractor work to ensure quality materials and proper construction procedures.

In our September 29, 1999 report, we recommended that the Commissioner, Public Buildings Service:

- Ensure contractors' past performance evaluation data collection and retrieval system is applied throughout PBS and used by its contracting officials in making source selection procurement decisions.
- Strengthen the procurement process by requiring the independent monitoring of the construction contractor's work on PBS's major construction program.

The Commissioner concurred with the recommendations in the report. The audit is still in the resolution process.

Performance-Based Buildings Services Contracts

GSA spends about \$200 million annually on its Buildings Operations and Maintenance Program. Most of the Agency buildings services contracts are for cleaning, elevator maintenance, and mechanical services. Operations and maintenance services are being provided by the private sector under performance-based contracts. GSA relies on contractors to provide quality services without the level of oversight and inspection that GSA personnel performed in the past.

A review of the nationwide program for mechanical services showed that controls needed to be strengthened to ensure that contractors met contractual requirements. Our physical inspection of buildings, for which the contractors were responsible, identified maintenance deficiencies and inaccurate equipment inventory. (Inadequate maintenance, tests, and inspections can result in the safety of Federal employees and others being jeopardized. See page 10.) Controls in many offices were rendered ineffective by program

Procurement Activities

GSA relies on contractors for quality services without levels of oversight the Agency had performed in the past.

demands, staffing inadequacies, and a lack of support and direction for their implementation. As a result, the contracts are at risk of fraud, waste, and abuse.

The review also disclosed that GSA is paying for repairs to equipment for which prior contractors were responsible because the deficiency inspections performed at the end of a contract and the start of a new contract are not reconciled. In three newly constructed (or renovated) buildings, we found shoddy construction and malfunctioning equipment, covered by manufacturer warranties, that had been accepted and ultimately repaired and paid for by the Agency. This was caused by a lack of coordination between officials responsible for construction, acceptance, and operation.

Finally, we noted that inaccurate equipment inventory in both old and new buildings has resulted in GSA paying for maintenance of non-existing equipment, and equipment not being maintained because it was not on the inventory. In one new building, GSA had to negotiate increases to the operations and maintenance contract because one-third of the equipment installed in the building was not included in the original inventory. This occurred because confusion existed over who is responsible for the accuracy of the equipment inventory.

In our September 7, 1999 report to the Commissioner, Public Buildings Service, we recommended that the Agency institute a national quality assurance program that establishes a consistent approach for monitoring contractor performance, with a focal point for guidance and direction regarding interpretation and application of operations and maintenance contract terms and conditions.

The Commissioner agreed with the recommendation in the report. The audit is still in the resolution process.

Controls Over Small Purchases

Most GSA offices and staff are authorized to procure supplies and services needed to carry out their official responsibilities. Agency-issued purchase cards are the preferred means of purchase and are considered timely and cost effective. Although procedures are simplified, procurement officials are still required to comply with basic management controls mandated by GSA policy and guidelines.

Purchase authority, when delegated to employees who are neither experienced nor trained in procurement regulations, results in increased chances for improper procurements. Because we have seen problems arising

Procurement Activities

Controls need to be strengthened over small purchase bankcard transactions.

from a lack of management controls being exercised, particularly in the procurement arena, we performed a review of the controls for a regional procurement program.

Regional management cannot be assured that all purchases made by their procurement personnel represent official needs because basic controls were ignored by some activities. Some purchase card users did not keep records of what was ordered or received. Credit card billings were not and could not be verified for accuracy. These problems went undetected because officials responsible for periodic review of credit card purchases had not performed the reviews. We also noted that one cardholder exceeded the monthly and single purchase limits due to payments for recurring cell phone charges.

Our review concluded that controls needed to be strengthened over small purchase bankcard transactions. Approving officials need to monitor and verify card usage. Cardholders must retain supporting documentation and perform monthly reconciliations of the card statements. Otherwise, there is little to safeguard against potential misuse or waste, and no assurance that all procurements are for valid program needs.

In our August 30, 1999 report to the Regional Administrator, we recommended that:

- Approving officials monitor and verify all purchase card activities.
- Individual cardholders document purchases, perform monthly reconciliations, and adhere to single and monthly spending limits.

The Regional Administrator agreed with the recommendations in the report. The audit is still in the resolution process.

Federal Excess and Surplus Property

Federal regulations mandate that the Government uses all personal property to the fullest extent possible. To this end, GSA is tasked with coordinating the use of property within the Government. When this property is deemed excess or surplus to the needs of Government, GSA coordinates the transfer of this property to State and local governments or charitable organizations.

Illegal Transfer of Barge Crane

An investigation was initiated after a complaint from an anonymous source alleged that the Jamestown S'Klallam Tribe provided a Tacoma, Washington construction company with a barge crane, which was Federal excess property, in violation of Federal requirements. The investigation disclosed that GSA had transferred the barge crane to the Bureau of Indian Affairs of the

Procurement Activities

Department of Interior for use by the Jamestown Tribe. The investigation further found that the Jamestown Tribe had not used the barge crane, rather, it had given the barge crane to the construction company under a lease/purchase arrangement. On June 28, 1999, the Jamestown Tribe agreed to pay \$15,000 to resolve the Government's allegations that the crane had been obtained and then transferred with false representations. The construction company had previously agreed to pay GSA \$321,000 in exchange for clear title to the crane.

As a direct result of this investigation, the Bureau of Indian Affairs modified its requirements for approving excess property transfers to tribal organizations and the subsequent reporting and accountability of this property.

Former Captain of Civil Air Patrol Pleads Guilty to Fraud against the Government

On September 2, 1999, a former captain with the Rhode Island Civil Air Patrol pled guilty in U.S. District Court to fraud against the Government. He had been charged with intentionally converting for his own use property that he obtained from the Defense Personal Property Utilization Disposal Program which was intended for use by the Civil Air Patrol. Sentencing is scheduled for December 3, 1999.

A joint Defense Criminal Investigative Service and GSA investigation was initiated when it was alleged that the former captain was acquiring military surplus property for his own use under the guise of ostensible transfers to the Civil Air Patrol. The investigation revealed that he converted military surplus property over a 30-month period for his own benefit by pocketing over \$38,000 on sales to an Army/Navy surplus store and a computer outlet. The investigation also disclosed that the former captain obtained military surplus property totaling \$630,000 without authorization, and this property could not be accounted for within the Civil Air Patrol.

Prevention Activities

In addition to detecting problems in GSA operations, the OIG is responsible for initiating actions to prevent fraud, waste, and abuse and to promote economy and efficiency.

Significant Preaward and Other Audits

The OIG's preaward audit program provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward audits distinguishes them from other audits. This program provides vital and current information to contracting officers, enabling them to significantly improve the Government's negotiating position and to realize millions of dollars in savings on negotiated contracts. This period, the OIG performed preaward audits of 38 contracts with an estimated value of \$406 million. The audit reports contained over \$20 million in financial recommendations.

This period, three of the more significant Multiple Award Schedule contracts we audited had projected Governmentwide sales totaling nearly \$145.9 million. The audit findings recommended that \$9.8 million in funds be put to better use. The audits disclosed that these vendors offered prices to GSA that were not as favorable as the prices other customers receive from these vendors.

We also audited several claims for increased costs allegedly caused by the Government during the construction and renovation of Federal buildings. Three of the more significant audits contained proposed prices totaling \$4.1 million, and recommended adjustments of \$2.6 million because contractors overstated costs, sought unallowable costs, or sought payment for goods not actually purchased.

Integrity Awareness

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse, and to reinforce employees' roles in helping to ensure the integrity of Agency operations.

This period we presented 4 briefings attended by 94 regional employees. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies and slides, the briefings make GSA employees aware of actual instances of fraud in GSA and other Federal agencies and thus help to prevent their recurrence. The briefings have in fact led to OIG investigations based on reports by GSA employees of suspected wrongdoing.

Hotline

The OIG Hotline provides an avenue for concerned employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings, as well as brochures, encourage employees to use the Hotline. During this reporting period, we received 1,012 Hotline

Prevention Activities

calls and letters. Of these, 81 complaints warranted further GSA action, 13 warranted other Agency action, and 918 did not warrant action.

Implementation Reviews

Responsibility for implementing appropriate corrective action as the result of audit report recommendations rests with Agency management. The OIG performs, on a selective basis, independent reviews of the implementation actions to ensure that management is carrying out this responsibility according to established milestones. This period, the OIG performed four implementation reviews. In two of these reviews, all of the recommendations had been implemented. In the other two reviews, some of the recommendations had not been fully implemented.

Financial Statements Audit

The annual audit of the GSA consolidated financial statements was performed by an independent public accounting (IPA) firm with oversight and guidance from the OIG, as required by the Chief Financial Officers Act of 1990. Unqualified opinions on the Agency's financial statements and on its system of internal accounting controls were issued during our previous reporting period.

This period, the IPA issued its FY 1998 Management Letter Report in which it identified four reportable conditions:

- GSA needs to strengthen logical and physical access controls over its information technology environment.
- Security policies and procedures need to be uniformly applied across GSA's service lines.
- Improvements are needed in the controls over the integrity of rent and leasing data used in management of the Federal Buildings Fund.
- GSA does not have a process for ensuring the achievement of the Government Performance and Results Act goal to verify and validate the measured Government values of actual performance.

We also reviewed the Information Technology Solutions Program financial internal controls in support of the IPA's FY 1999 financial statement audit. We noted a number of areas where financial controls could be improved and suggested a means for improving operational cost recoveries.

We made no formal recommendations in our September 29, 1999 report because the internal control weaknesses we identified will be reported by the IPA in its FY 1999 Management Letter Report to the Chief Financial Officer.

Review of Legislation and Regulations

The Inspector General Act of 1978 requires the OIG to review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of the Agency's programs and operations and on the prevention and detection of fraud and mismanagement.

During this period, the OIG reviewed 237 legislative matters and 25 proposed regulations and directives. The OIG provided significant comments on the following legislative items:

- *Draft Federal Real Property Asset Management Reform Act of 1999.* We provided comments on a draft bill that would empower Federal landholding agencies to engage in certain transactions, including sales, exchanges, outleases, and public/private partnerships regarding any underperforming real property holdings. The bill would further authorize agencies to retain any proceeds from such transactions for future real property-related expenditures. Although we support the draft bill's intent to give agencies more flexibility and control over their real property assets in order to ensure those assets are used more efficiently, we noted our concerns that sufficient controls be maintained over new transactional authorities—such as sales or outleases—so that the Government receives a fair return. In this connection, we suggested that any implementing regulations provide guidance on obtaining fair market value, and that pretransaction reviews or audits and Office of Management and Budget (OMB) approval may be advisable for larger transactions. Finally, we noted that to the extent transactions would take the form of exchanges where no proceeds would be generated, the draft bill might have an impact on the McKinney Act, which requires some percentage of proceeds to go to homeless assistance groups.
- *Cost Accounting Standards Board Amendment, DoD Authorization Bill FY 2000.* We provided comments on a draft amendment which would move the Cost Accounting Standards (CAS) Board from the Office of Federal Procurement Policy (OFPP) to the Department of Defense (DoD), eliminate GSA's board seat and provide the National Aeronautics and Space Administration with a seat. We noted our concerns that moving the CAS Board to DoD would not necessarily increase its independence. We advocated either making the Board a stand-alone agency or retaining it in its current location within OFPP.
- *H.R. 1827, Government Waste Corrections Act of 1999.* We provided comments on H.R. 1827, which would mandate recovery audits for agency payment activities over a certain dollar threshold. We understand that recovery audits are an established commercial business practice involving

Review of Legislation and Regulations

the identification of overpayments made to suppliers of goods and services. Such overpayments may involve, among other things, duplicate payments, pricing errors, missed cash discounts, rebates, or other allowances. We noted our support for the notion of recovery audits, but noted that OIGs should be incorporated into the bill in order to enhance its effectiveness. Specifically, we noted that incorporating OIGs would improve coordination and eliminate duplication of audit efforts within individual agencies, and would enhance actual recoveries. We also pointed out that the bill should conform to established legal remedies relating to overpayments in the Government contracts context, and recommended that certain clarifications be made with respect to recovery audits of payment activities that involve more than one agency.

- *Amendment Regarding OIG Criminal Investigations, S. 886, Department of State Authorization Bill.* We provided comments to the President's Council on Integrity and Efficiency (PCIE) on a proposed amendment regarding OIG investigations which would require exculpatory information to be included in OIG reports and which would give any individual named in an OIG report an opportunity to review assertions related to their actions. We pointed out that a statutory requirement to include exculpatory information in OIG investigative reports would be unnecessary, as established law enforcement investigative standards and Federal caselaw currently contain such a requirement. As for the requirement that any individual named in an OIG report be afforded an opportunity to review any report containing assertions involving them, we noted our concerns that such a requirement was overly broad and would be burdensome to implement in practice, as many third parties are often referenced in OIG reports.
- *Draft Paperwork Reduction Act Amendment.* We provided comments to the Inspections Committee of the PCIE regarding a draft proposal to amend the Paperwork Reduction Act to exempt OIG information collections from the Act's requirements. We noted that although we believed the Act's requirement for agency head approval of OIG information collections was objectionable on the grounds that it might compromise OIG independence, existing implementing regulations might allow OIGs to bypass agency head approval and present information collections directly to OMB for review. We felt that legislation to remedy this issue may not be necessary.
- *Federal Reports Elimination and Sunset Act of 1995.* We provided comments to OMB on a list of reports required to be eliminated by the Federal Reports Elimination and Sunset Act. The Act required all routine or periodic reports to Congress from the President or Executive branch that

Review of Legislation and Regulations

are contained in a certain House of Representatives-generated report to be eliminated. We noted that this list incorrectly included a reporting requirement contained in the Inspector General Act regarding removal of an Inspector General by the President. This provision requires the President to communicate reasons for removal of an Inspector General to Congress, and is not a routine or periodic reporting requirement of the type included in the Act's scope.

In addition, the OIG provided comments on the following proposed regulations:

- *Electronic Modifications Pilot, Multiple Award Schedule (MAS) Program.* We provided comments to GSA on a pilot program currently under development which would allow all information technology MAS Program contractors to submit certain contract modifications, including product additions, deletions, and price reductions, electronically. We noted that the proposed language of the clause should be revised to reflect more clearly the stated objective that only price reductions involving new price lists could be accomplished through an electronic modification. Also, we recommended retention of existing language by which addition of items should be accomplished electronically only if the contractor provides a statement that addition of the item would not affect pricing and discount information submitted to negotiate the contract.
- *Evergreen Contracting, MAS Program.* We provided comments to GSA on an initiative under development to extend MAS contract terms to a base period of 5 years together with three 5-year option periods in an effort to save the administrative costs associated with negotiating MAS contracts anew. This initiative is referred to as Evergreen Contracting. We commented that although we had no inherent objection to restructuring MAS contracts by adding option periods, we had serious concerns with the method by which the Evergreen initiative was to be implemented. The acquisition letter embodying the initiative failed to require both that contracting officers (COs) conduct a price reasonableness analysis when exercising options, and that the analysis be done with specific reference to most-favored-customer pricing, a centerpiece of the MAS Program. We stated that the Evergreen initiative would contravene the mandate of the General Services Acquisition Regulation (GSAR) that COs only exercise options if they affirmatively determine that the option price is fair and reasonable. We commented that, in our opinion, the practical result of failing to require a price reasonableness analysis would be to significantly undermine pricing under the MAS Program. We also wondered whether any administrative cost savings would actually result from the initiative.

Review of Legislation and Regulations

- *Review of Proposed Revision of GSA Freedom of Information Act Procedures.* We reviewed the Agency's draft order revising GSA's Freedom of Information Act (FOIA) procedures, which reflect recent statutory changes to the FOIA. The proposed order provides detailed guidance to GSA personnel on responding to FOIA requests in compliance with statutory requirements, including the Electronic Freedom of Information Act Amendments of 1996, and in accordance with Government policy encouraging disclosure to the maximum extent practicable. Our comments to the Agency noted one particularly burdensome requirement, that is, the requirement to retain records that were the subject of a denial of a FOIA request for 6 years after making a final administrative determination. While such retention might be reasonable if a requester asked for an easily retrievable, discrete set of documents, we noted that if the request was for a large number of documents which may not have been in an existing system of files, or were located in a number of different locations, then the retention requirement could be unduly burdensome.

Statistical Summary of OIG Accomplishments

Audit Reports Issued

The OIG issued 104 audit reports. The 104 reports contained financial recommendations totaling \$41,534,889, including \$20,120,929 in recommendations that funds be put to better use and \$21,413,960 in questioned costs. Due to GSA's mission of negotiating contracts for Governmentwide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other Federal agencies.

Management Decisions on Audit Reports

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of September 30, 1999. Four reports more than 6-months old were awaiting management decisions as of September 30, 1999; all of them were preaward audits, issued before February 10, 1996, which are not subject to the 6-month management decision requirement. Table 1 does not include 1 report issued to another agency this period. Table 1 also does not include 23 reports excluded from the management decision process because they pertain to ongoing investigations.

Table 1. Management Decisions on OIG Audits

	No. of Reports	Reports with Financial Recommendations	Total Financial Recommendations
For which no management decision had been made as of 4/1/99			
Less than six months old	39	25	\$ 61,998,558
Six or more months old	4	3	345,655
Reports issued this period	<u>103</u>	<u>42</u>	<u>41,499,663</u>
TOTAL	146	70	\$103,843,876
For which a management decision was made during the reporting period			
Issued prior periods	39	25	\$ 61,998,558
Issued current period	<u>60</u>	<u>16</u>	<u>19,803,971</u>
TOTAL	99	41	\$ 81,802,529
For which no management decision had been made as of 9/30/99			
Less than six months old	43	26	\$ 21,695,692
Six or more months old	<u>4</u>	<u>3</u>	<u>345,655</u>
TOTAL	47	29	\$ 22,041,347

Statistical Summary of OIG Accomplishments

Management Decisions on Audit Reports with Financial Recommendations

Tables 2 and 3 present the audits identified in Table 1 as containing financial recommendations by category (funds to be put to better use or questioned costs).

Table 2. Management Decisions on OIG Audits with Recommendations that Funds be Put to Better Use

	<u>No. of Reports</u>	<u>Financial Recommendations</u>
For which no management decision had been made as of 4/1/99		
Less than six months old	24	\$61,310,245
Six or more months old	3	345,655
Reports issued this period	<u>28</u>	<u>20,085,703</u>
TOTAL	55	\$81,741,603
For which a management decision was made during the reporting period		
Recommendations agreed to by management based on proposed		
•management action	—	\$63,489,364
•legislative action	—	—
Recommendations not agreed to by management	<u>—</u>	<u>0</u>
TOTAL	34	\$63,489,364
For which no management decision had been made as of 9/30/99		
Less than six months old	18	\$17,906,584
Six or more months old	<u>3</u>	<u>345,655</u>
TOTAL	21	\$18,252,239

Statistical Summary of OIG Accomplishments

**Table 3. Management Decisions on OIG Audits
with Questioned Costs**

	No. of Reports	Questioned Costs
For which no management decision had been made as of 4/1/99		
Less than six months old	1	\$ 688,313
Six or more months old	0	0
Reports issued this period	<u>14</u>	<u>21,413,960</u>
TOTAL	15	\$22,102,273
For which a management decision was made during the reporting period		
Disallowed costs	—	\$16,770,422
Costs not disallowed	<u>—</u>	<u>1,542,743</u>
TOTAL	7	\$18,313,165
For which no management decision had been made as of 9/30/99		
Less than six months old	8	\$ 3,789,108
Six or more months old	<u>0</u>	<u>0</u>
TOTAL	8	\$ 3,789,108

Statistical Summary of OIG Accomplishments

Investigative Workload

OIG opened 82 investigative cases and closed 60 cases during this period. In addition, the OIG received and evaluated 64 complaints and allegations from sources other than the Hotline that involved GSA employees and programs. Based upon our analyses of these complaints and allegations, OIG investigations were not warranted.

Referrals

The OIG makes criminal referrals to the Department of Justice or other authorities for prosecutive consideration and civil referrals to the Civil Division of the Department of Justice or U.S. Attorneys for litigative consideration. The OIG also makes administrative referrals to GSA officials on certain cases disclosing wrongdoing on the part of GSA employees, contractors, or private individuals doing business with the Government.

Table 4. Summary of OIG Referrals

Type of Referral	Cases	Subjects
Criminal	30	55
Civil	6	13
Administrative	84	201
TOTAL	120	269

In addition, the OIG made 18 referrals to other Federal activities for further investigation or other action and 17 referrals to GSA officials for information purposes only.

Actions on OIG Referrals

Based on these and prior referrals, 16 cases (26 subjects) were accepted for criminal prosecution and 8 cases (13 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 10 indictments/informations and 9 successful prosecutions. OIG civil referrals resulted in 8 cases being accepted for civil action and 9 case settlements. Based on OIG administrative referrals, management debarred 27 contractors, suspended 27 contractors, and took 3 personnel actions against employees.

Statistical Summary of OIG Accomplishments

Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, judgments, and restitutions payable to the U.S. Government as a result of criminal and civil actions arising from OIG referrals.

In addition, the OIG had administrative recoveries of \$1,989,373 during the course of its investigations, predominantly in investigative savings.

Table 5. Criminal and Civil Recoveries

	<u>Criminal</u>	<u>Civil</u>
Fines and Penalties	\$ 2,225	\$ —
Settlements and Judgments	—	1,499,000
Restitutions	128,400	—
TOTAL	\$130,625	\$1,499,000

APPENDICES

Appendix I—Significant Audits from Prior Reports

Under the Agency audit management decision process, the GSA Office of the Chief Financial Officer, Office of the Controller, is responsible for tracking the implementation of audit recommendations after a management decision has been reached. That office furnished the following status information.

Nineteen audits highlighted in prior Reports to the Congress have not yet been fully implemented; all are being implemented in accordance with currently established milestones.

Access to Building Design Plans

Period First Reported: October 1, 1998 to March 31, 1999

The review focused on the accessibility to the general public of building plans. The report contained two recommendations; one has been implemented.

The remaining recommendation involves sharing the results of the review with appropriate Agency officials. It is scheduled for completion by January 15, 2000.

Building Income Statement Reliability

Period First Reported: October 1, 1998 to March 31, 1999

The review assessed regional general and administrative expense details. The report contained two recommendations; one has been implemented.

The remaining recommendation involves verifying the accuracy of income statement data. It is scheduled for completion by January 15, 2000.

Costly Lease Space Alterations

Period First Reported: October 1, 1998 to March 31, 1999

The review evaluated documentation used to substantiate the pricing of change orders associated with a new lease build-out. The report contained three recommendations; none has been implemented.

The recommendations include re-emphasizing the importance of complete and accurate documentation; ensuring that documents are prepared on time and properly dated; and establishing a firm source of funding for any change order. They are scheduled for completion by October 15, 1999.

Initiatives to Improve Space Alterations

Period First Reported: October 1, 1998 to March 31, 1999

The review assessed GSA's information system designed to manage vacant space. The report contained three recommendations; none has been implemented.

The recommendations include reevaluating the program performance measures; standardizing data requirements; and providing customers with timely billings and ensuring timely recovery of funds. They are scheduled for completion between March 15, 2000 and June 15, 2000.

Security Standards for New Buildings

Period First Reported: October 1, 1998 to March 31, 1999

The review evaluated security standards for new and renovated Federal buildings. The report contained two recommendations; neither has been implemented.

The recommendations include developing a policy that defines roles and responsibilities of individuals involved in enhanced building standards, and creating security standards for newly acquired leased space. They are scheduled for completion by January 15, 2000.

Controls over Direct Building Costs

Period First Reported: October 1, 1998 to March 31, 1999

The review focused on the controls over building financial statements. The report contained four recommendations; three have been implemented.

The remaining recommendation involves issuing instructions clarifying GSA's capitalization policies. It is scheduled for completion by October 15, 1999.

Year 2000 Conversion Efforts

Period First Reported: October 1, 1998 to March 31, 1999

The review focused on GSA's efforts to convert its National Electronic Accounting and Reporting system to be Y2K compliant. The report contained five recommendations; four have been implemented.

Appendix I—Significant Audits from Prior Reports

The remaining recommendation involves ensuring that all data exchanges will operate correctly. It is scheduled for completion by November 15, 1999.

Security Enhancements in Federal Buildings

Period First Reported: April 1, 1998 to September 30, 1998

The review evaluated GSA's program for upgrading security in Federal buildings. The report contained six recommendations; four have been implemented.

The remaining recommendations involve establishing an inventory over x-ray units and portable equipment, and tracking and reporting cost data for future countermeasures. They are both scheduled for completion by January 15, 2000.

Travel Management Program Funding Fee

Period First Reported: April 1, 1998 to September 30, 1998

The review assessed GSA's Travel Management Program funding fee. The report contained seven recommendations; four have been implemented.

The remaining recommendations include combining two forms into one; developing a database; and establishing one industrial funding fee for all customers. They are scheduled for completion between October 15, 1999 and January 15, 2000.

Electronic Commerce Shopping

Period First Reported: April 1, 1998 to September 30, 1998

The review assessed GSA's efforts to place four million items on the GSA Advantage system. The report contained five recommendations; four have been implemented.

The remaining recommendation involves developing a plan to achieve the project's objectives. It is scheduled for completion by November 15, 1999.

Information Systems Security

Period First Reported: April 1, 1998 to September 30, 1998

The review assessed the security measures of six major Internet and Intranet GSA applications. The report contained four recommendations; one has been implemented.

The remaining recommendations include establishing an Information Technology (IT) Security Program; specifying roles and responsibilities for systems to ensure security; and basing IT security decisions on risk assessments. They are scheduled for completion between November 15, 1999 and January 15, 2000.

Agency Conferences Management

Period First Reported: April 1, 1998 to September 30, 1998

The review focused on the controls over Agency conference site selections and expenditures. The report contained four recommendations; three have been implemented.

The remaining recommendation involves documentation relative to the conference, attendees, alternative sites, costs, and appropriate approval. It is scheduled for completion by October 15, 1999.

IMPAC Credit Card Program

Period First Reported: October 1, 1997 to March 31, 1998

The evaluation focused on the controls over the use of the International Merchant Purchase Authorization Cards (IMPAC) for small purchases. The report contained four recommendations; one has been implemented.

The remaining recommendations include improving management controls; developing a review program of card practices and transactions; and providing training. They are scheduled for completion between October 15, 1999 and December 15, 1999.

Appendix I—Significant Audits from Prior Reports

Megacenter Dispatch Services

Period First Reported: October 1, 1997 to March 31, 1998

The review focused on GSA's plans to consolidate security control centers into four megacenters. The report contained four recommendations; none has been implemented.

The recommendations include developing alternate access procedures; developing contingency plans to continue the dispatch function during natural disasters; upgrading alarm systems; and implementing a preventive alarm maintenance program. They are scheduled for completion by June 15, 2000.

Contract Workload Management

Period First Reported: October 1, 1997 to March 31, 1998

The review identified opportunities for improving workload management. The report contained one recommendation; it has not yet been implemented.

The recommendation involves the need to automate key activities of the contracting process. It is scheduled for completion by December 15, 2000.

Federal Protective Service Investigation Office

Period First Reported: April 1, 1997 to September 30, 1997

The evaluation focused on a review of the Federal Protective Service's criminal investigation activities. The report contained five recommendations; three have been implemented.

The remaining recommendations include establishing measurable performance standards and improving program accountability. They are scheduled for completion by January 15, 2000.

Administration of Real Estate Taxes

Period First Reported: April 1, 1997 to September 30, 1997

The review examined the real estate tax administration of GSA's leases. The report contained two recommendations; one has been implemented.

The remaining recommendation involves modifying contract procedures to ensure the Government receives its share of reductions in real estate taxes. While all pertinent actions have been taken, it remains open until all recovery actions are completed. It is scheduled for completion by November 15, 1999.

Debarment Program

Period First Reported: October 1, 1996 to March 31, 1997

The review identified opportunities for improving the Debarment Program. The report contained two recommendations; one has been implemented.

The remaining recommendation involves modifying the new contractor information system and is scheduled for completion by January 15, 2000.

Aircraft Management

Period First Reported: October 1, 1995 to March 31, 1996

The review identified opportunities for improving GSA's program to assist civilian agencies with the management and cost-effectiveness of their aircraft operations. The report contained five recommendations; four have been implemented.

The remaining recommendation concerns the identification of aircraft data necessary for making informed decisions and is scheduled for completion by October 15, 1999.

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
<i>(Note: Because some audits pertain to contracting award or actions which have not yet been completed, the financial recommendations to these reports are not listed in this Appendix.)</i>				
FSS Management Consulting Reviews				
05/21/99	A995197	Management Consulting Review of California State Agency for Surplus Property Reporting of Donated Property Requested, Received, and Distributed to Donees		
PBS Internal Audits				
04/13/99	A995112	Review of Intrabudget Activity Authorizations in Region 2		
04/20/99	A995095	Audit of National Capital Region Antenna Program		
04/21/99	A995160	Review of Asbestos Abatement Practices, Theodore Levin U.S. Courthouse, Michigan Property Management Center, Detroit, Michigan		
04/30/99	A995160	Review of Elevator Maintenance Contract, Patrick V. McNamara Federal Building, Michigan Property Management Center, Detroit, Michigan		
05/11/99	A995131	Review of Region 7 Lease Termination and Buyout Procedures		
05/12/99	A83608	PBS Is Faced with Critical Decisions in Assessing the Future of Its Electronic Acquisition System		
06/07/99	A995175	Alert Report on Security Guard Background Checks		
06/08/99	A995198	Alert Report on Security at the Ronald Reagan Building		
06/10/99	A995160	Review of Plumbing Maintenance Practices, Immigration and Naturalization Service Building, Michigan Property Management Center, Detroit, Michigan		

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
07/02/99	A995160	Review of the Elevator Maintenance Contract, Charles Chamberlain Post Office and Federal Building, Michigan Property Management Center		
07/09/99	A83610	Audit of Progress Made in Converting GSA's Public Buildings Service Computer Systems to Operate in the Year 2000		
08/20/99	A995121	Review of Lease Administration, Northwest/Arctic Region		
08/20/99	A995160	Review of Asbestos Abatement Practices, Gerald R. Ford Federal Building and Courthouse, Michigan Property Management Center		
08/23/99	A995146	Review of the National Capital Region's Public Buildings Service Reorganization		
08/30/99	A995125	Review of Small Purchases, Federal Protective Service, Public Buildings Service, Pacific Rim Region		
09/07/99	A995108	Management Control Review: Public Buildings Service, Property Management Operations and Maintenance Contracts		
09/07/99	A995172	Review of the Proposed Sale of the George W. Whitehurst Federal Building to the City of Fort Myers, Florida		
09/10/99	A995174	Audit of National Capital Region Fire Safety Program		
09/28/99	A995021	Audit of Management Controls for Non-Recurring Reimbursable Work Authorizations		
09/28/99	A995030	Audit of Third Party Liability for the Cost of Hazardous Waste Removal, New Boston Federal Courthouse		
09/29/99	A995193	Audit of Courthouse Construction and Contracting Practices		
09/30/99	A995172	Review of Public Buildings Service, Property Disposal Transfers		

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
09/30/99	A995204	Audit of the National Capital Region Outleasing Program		
PBS Contract Audits				
04/01/99	A995182	Preaward Audit of Architect and Engineering Services Contract: Staunton Chow Engineers, P.C., Solicitation Number GS-02P-98-PLD-0015(N)		
04/13/99	A80309	Postaward Audit of Change Order Costs: The Clark Construction Group, Inc., Contract Number GS02P94CUC0039(N)		
04/29/99	A995178	Postaward Audit of Liability Insurance Costs: Six World Trade Center, New York, NY, Lease Number GS-02B-15370		
04/30/99	A995176	Preaward Audit of a Claim: Honeywell Inc., Subcontractor to Reliable Contracting Inc., Contract Number GS-02P-91-CUC-0045(N)		
05/05/99	A995151	Preaward Audit of Supplemental Architect and Engineering Services Contract: Wank Adams Slavin Associates, Solicitation Number GS-02P-98-PLD-0015(N)		
05/06/99	A995219	Preaward Audit of Small Business Administration 8(A) Pricing Proposal: Intersteel, Inc., Solicitation Number GS-04P-99-RBC-0028		
05/10/99	A995207	Audit of Recoverable Costs - FY 1997: Six World Trade Center, New York, NY, Lease Number GS-02B-15370		\$46,683
05/20/99	A995187	Preaward Audit of Sole Source Contract: Permanent Solution Industries, Inc., Solicitation Number GS-11P99ZGC0041		
06/07/99	A995232	Preaward Audit of Cost Accounting Standards Disclosure Statement for Caddell Construction Company, Solicitation Number GS-04P-99-EXC-0011		

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
06/15/99	A995206	Audit of Recoverable Costs - FY 1995: Six World Trade Center, New York, NY, Lease Number GS-02B-15370		
06/18/99	A995220	Audit of Claim for Increased Costs: PM Realty Group, Ltd., Contract Number GS05P96GAC0187		
06/21/99	A995189	Preaward Audit of Cost or Pricing Data: A. Arnold & Associates, Inc., Solicitation Number GS06P99GYC0005(N)		
06/23/99	A995222	Preaward Audit of Cost or Pricing Data: Meyer, Scherer & Rockcastle, Ltd., Solicitation Number GS06P98GZC0514		
06/24/99	A995231	Audit of Small Business Subcontracting Plan: Rael Automatic Sprinkler Company, Inc., Contract Number GS-02P-95-DTC-0014(N)		\$230,539
06/25/99	A995250	Preaward Audit of Architect and Engineering Services Contract: Witsell, Evans & Rasco, P.A., Solicitation Number GS-07P-99-UTC-0002		
07/07/99	A995209	Audit of Claim for Increased Costs: The Spector Group, Contract Number GS-02P-92CUC0029(N)		
07/07/99	A995249	Audit of Small Business Subcontracting Plan: L. Martone and Sons, Inc., Contract Number GS-02P-95-DTC-0014(N)		\$126,218
07/09/99	A995230	Preaward Audit of Claim for Increased Costs: Howard Needles Tammen & Bergendoff, Contract Number GS-11P90EGC0142		
07/12/99	A995247	Preaward Audit of Architect and Engineering Services Contract: RTKL Associates, Inc., Solicitation Number GS-07P-99-UTC-0002		
07/29/99	A995260	Preaward Audit of Cost or Pricing Data: Marquez Constructors, Inc., Solicitation Number GS-08P-99-JBC-0056		

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
08/11/99	A995279	Preaward Audit of Small Business Administration 8(A) Pricing Proposal: IOCAD Engineering Services, Inc., Solicitation Number GS-04P-99-CXD-0004		
09/02/99	A995297	Preaward Audit of Cost or Pricing Data: Woodard Contract LLC, Subcontractor to Niehaus Construction, Inc./Interior Construction, Solicitation Number GS06P99GZC0302		
09/09/99	A995294	Preaward Audit of Cost Accounting Standards Disclosure Statement for Beers Construction Company, Solicitation Number GS-04P-99-EXC-0019		
09/29/99	A995265	Audit of Claim for Increased Costs: Marino Construction Company, Inc., Contract Number GS05P90GBC0101, Phase II		
09/30/99	A995285	Audit of Claim for Increased Costs: Marino Construction Company, Inc., Contract Number GS05P90GBC0213, Phase III		
<i>FSS Internal Audits</i>				
05/11/99	A995181	Review of the Purchase and Utilization of Alternative Fuel Vehicles in the Greater Southwest Region		
05/28/99	A83309	Audit of the Federal Supply Service's Industrial Funding Fee for the Schedules Program		
06/08/99	A83610	Audit of Progress Made in Converting GSA's Federal Supply Service Computer Systems to Operate in the Year 2000		
06/21/99	A995152	Review of Puerto Rico Fuel Tax Issue		
08/23/99	A81804	Review of Federal Supply Schedule 75-III-A Next-Day Desktop Delivery of Office Products		
08/26/99	A995191	Review of Operations of FSS's Hardware and Appliances Center		

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
09/13/99	A995261	Audit of the Federal Personal Property Donation Program, State of Louisiana		
09/14/99	A995203	Review of Southwestern Distribution Center Warehouse 9 Improvements		
09/21/99	A80305	Preventative Audit: Federal Supply Service, Waltham Fleet Management Center		
09/22/99	A995307	Review of Personal Property Transfer, Sale, and Disposal Procedures		
FSS Contract Audits				
04/30/99	A995195	Audit of Termination Proposal: LHB Industries, Agreement Number GS-10F-40335		
05/28/99	A995143	Postaward Survey of Multiple Award Schedule Contract: In Focus Systems, Inc., Contract Number GS-35F-4138D for the Interim Period November 1, 1997 to April 30, 1998		
06/07/99	A995214	Limited Scope Postaward Audit of the Industrial Funding Fee Submitted Under Multiple Award Schedule Contract Number GS-29F-0232D: Open Plan Systems, Inc.		
06/08/99	A995192	Limited Postaward Audit of Multiple Award Schedule Contract for the Period April 1, 1997 Through February 28, 1999: Danka Office Imaging Company, Contract Number GS-26F-1018B		\$152,751
06/15/99	A42113	Postaward Audit of Multiple Award Schedule Contract: Herman Miller Inc., Contract Number GS-00F-07000		\$15,021,402
06/15/99	A995171	Audit of Incurred Costs: Niagara Mohawk Power Corporation, Contract Numbers EMN-1999-MO-2032 & EMN-1999-MO-2036		
06/22/99	A995164	Preaward Audit of Multiple Award Schedule Contract: Compaq Computer Corporation, Extension to Contract Number GS-35F-4544G		

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
06/30/99	A995235	Preaward Audit of Multiple Award Schedule Contract: Contract Decor, Inc., Contract Number GS-03F-6006D, Modification Number SP04, for the Period July 1, 1999 to June 30, 2004		
07/12/99	A995253	Preaward Audit of Multiple Award Schedule Contract: Aladdin Temp-Rite, LLC, Solicitation Number 7FXG-Y8-97-7354-B		
07/29/99	A995239	Preaward Review of Multiple Award Schedule Contract for the Extension Period July 1, 1999 Through June 30, 2004: Thomas W. Raftery, Inc., Contract Number GS-03F-6019D		
07/30/99	A995149	Audit of Incurred Costs: Northeast Utilities Service Company, Contract Numbers EMN-1999-MO-2032 & EMN-1999-MO-2036		
07/30/99	A995173	Audit of Incurred Costs: Duke Engineering & Services, Contract Numbers EMR-1999-MO-2032 & EMN-1999-MO-2036		
07/30/99	A995240	Preaward Audit of Multiple Award Schedule Contract for the Extension Period July 1, 1999 Through June 30, 2004: Wythe Contract Sales Company - BEI, Contract Number GS-03F-6004D		
08/12/99	A995215	Audit of Incurred Costs: KeySpan Energy, Contract Numbers EMN-1999-MO-2032 & EMN-1999-MO-2036		
08/12/99	A995236	Preaward Audit of Multiple Award Schedule Contract: Fabricare Draperies, Inc., Contract Number GS-03F-5116C		
08/19/99	A41245	Postaward Audit of Multiple Award Schedule Contract: Neotronics of North America, Incorporated, Contract Number GS-00F-2304A		\$432,301
08/20/99	A995202	Postaward Survey of Multiple Award Schedule Contract: ACMA Computers, Inc., Contract Number GS-35F-4591G for the Interim Period September 1, 1998 Through February 28, 1999		

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
08/20/99	A995234	Postaward Survey of Multiple Award Schedule Contract: Sentrol, Incorporated, Contract Number GS-07F-8791D for the Interim Period May 1, 1998 to October 31, 1998		
08/20/99	A995241	Preaward Audit of Multiple Award Schedule Contract: Dec Art Designs, Inc., Contract Number GS-03F-5106C		
08/25/99	A21548	Postaward Audit of Multiple Award Schedule Contract: Precision Manufacturing, Inc., Contract Number GS-00F-02388 for the Period April 1, 1988 Through March 31, 1991		\$1,333,914
8/25/99	A995212	Limited Scope Postaward Audit of Multiple Award Schedule Contract for the Period September 20, 1995 Through March 31, 1999: Millipore Corporation, Contract Number GS-24F-1501C		
08/31/99	A995238	Preaward Audit of Multiple Award Schedule Contract: ADM International, Inc., Contract Number GS-03F-6008D		
09/09/99	A82457	Postaward Audit of Multiple Award Schedule Contract: Advanced Logic Research, Inc., Contract Numbers GS-00K-93-AGS-6261 and GS-35F-3006D for the Period April 1, 1993 Through March 31, 1998		\$607,725
09/09/99	A995283	Preaward Review of Multiple Award Schedule Contract: National Education Training Group, Inc., Contract Number GS-02B-22885		
09/10/99	A60942	Postaward Audit of Multiple Award Schedule Contract: Datacard Corporation, Contract Number GS-00F-7173A for the Period July 31, 1992 Through June 30, 1995		\$780,235
09/10/99	A995225	Postaward Audit of Multiple Award Schedule Contract: Millipore Corporation, Contract Number GS-24F-1338C for the Interim Period May 1, 1995 Through March 31, 1999		\$8,317

Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
09/15/99	A52534	Postaward Audit of Multiple Award Schedule Contract: Intermec Corporation, Contract Number GS00K91AGS5288		\$262,041
09/15/99	A52565	Postaward Audit of Multiple Award Schedule Contract: Intermec Corporation, Contract Number GS00K91AGS5288 (PS01)		\$800,137
09/15/99	A52566	Postaward Audit of Multiple Award Schedule Contract: Intermec Corporation, Contract Number GS00K91AGS5288 (PS02)		\$1,603,980
09/20/99	A995237	Preaward Audit of Multiple Award Schedule Contract Extension: Stan Schwartz Associates, Inc. dba Skyline Mills, Contract Number GS-03F-6018D		
09/21/99	A995316	Limited Scope Postaward Audit of Contract Billings: Stan Schwartz Associates, Inc. dba Skyline Mills, Contract Number GS-03F-6018D		\$5,717
09/23/99	A995296	Preaward Audit of Multiple Award Schedule Contract: TCT Technical Training, Inc., Contract Number GS-02F-9308C for the Period October 1, 1999 to September 30, 2004		
09/23/99	A995306	Preaward Audit of Multiple Award Schedule Contract: Action Target, Inc., Solicitation Number 7FXG-B3-8411-B		
FTS Internal Audits				
05/26/99	A83020	Audit of Federal Technology Service Payments		
08/31/99	A995194	Audit of FTS Local Telecommunications Services		
09/17/99	A81548	Review of FTS Financial Management Systems		
09/24/99	A995185	Review of the Federal Technology Service's Response to the Small Business Administration's Concerns Related to 8(a) Contracts Awarded Under the FAST Program in Kansas City		
09/29/99	A995218	Audit of Federal Technology Service Information Technology Solutions Internal Controls		

Appendix II–Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
Other Internal Audits				
04/15/99	A82709	Limited Audit of the Federal Supply Service’s “Consolidation Savings” and “Market Penetration” Performance Measures		
04/15/99	A995015	Review of the General Services Administration’s Delinquent Non-Federal Debt		
06/16/99	A995140	Review of Heartland Finance Center’s Handling of Allowance for Doubtful Accounts		
06/22/99	A995127	Review of Heartland Finance Center’s Delinquent Federal Accounts Receivable and Write-Offs		
07/15/99	A82706	PricewaterhouseCoopers LLP Management Letter, Fiscal Year 1998 Financial Statement Audit		
09/30/99	A995016	Security Weaknesses Place GSA’s Local Area Networks at Undue Risk		
Non-GSA Contract Audits				
06/15/99	A995223	Preaward Audit of Cost or Pricing Data: Shell Oil Company		

Appendix III—Audit Reports over 12 Months Old with Final Action Pending

Pursuant to Section 810, Prompt Resolution of Audit Recommendations, of the National Defense Authorization Act, (Public Law 104-106), this appendix identifies those audit reports where final actions remain open 12 months

after the report issuance date. The GSA Office of the Chief Financial Officer, Office of the Controller, furnished the following information.

Audits with Management Decisions Made after February 10, 1996 for Which No Final Action Has Been Completed

Date of Report	Audit Number	Title
Contract Audits		
08/15/96	A51827	Postaward Audit of Multiple Award Schedule Contract: Sybase, Inc., Contract Number GS00K92AGS5576 for the Period September 9, 1992 Through September 30, 1993
09/20/96	A61534	Preaward Audit of a Claim: Marino Construction Company, Contract Number GS05P90GBC0101
10/17/96	A53617	Postaward Audit of Multiple Award Schedule Contract: Cantwell-Cleary Co., Inc., Contract Number GS-02F-6071A for the Interim Period March 31, 1992 Through October 31, 1994
11/01/96	A21882	Postaward Audit of Multiple Award Schedule Contract: Hamilton Sorter Company, Inc., Contract Number GS-00F-07065 for the Period November 14, 1988 Through September 30, 1991
11/01/96	A31851	Postaward Audit of Multiple Award Schedule Contract: Hamilton Sorter Company, Inc., Contract Number GS-00F-02598 for the Period August 26, 1988 Through March 31, 1991
11/01/96	A31865	Postaward Audit of Multiple Award Schedule Contract: Hamilton Sorter Company, Inc., Contract Number GS-00F-02046 for the Period December 4, 1987 Through September 30, 1990
12/17/96	A70606	Postaward Audit of Travel Costs: Centel Federal Systems Corporation, Contract Number GS-00K-89AHD0007
01/10/97	A52159	Postaward Audit of Multiple Award Schedule Contract: Austin Computer Systems, Inc., Contract Number GS-00K-91-AGS-5201
02/06/97	A70622	Preaward Audit of Change Order Proposal: Turner Construction Company, Contract Number GS-02P-95-DTC-0014
03/17/97	A72433	Audit of Real Estate Tax Adjustments: L.A. World Trade Center Partnership and Royal Investment System Partnerships, Lease Number GS-09B-85563, Calendar Years 1989 Through 1996
03/21/97	A70632	Preaward Audit of Change Order Proposal: Expert Electric, Inc., Contract Number GS-02P-94-CUC-0033(N)

Appendix III—Audit Reports over 12 Months Old with Final Action Pending

Date of Report	Audit Number	Title
03/24/97	A72434	Audit of Real Estate Tax Adjustments: WRC Properties, Inc., Lease Number GS-09B-88163, Calendar Years 1990 Through 1996
03/24/97	A72435	Audit of Real Estate Tax Adjustments: WRC Properties, Inc., Lease Number GS-09B-91634, Calendar Years 1993 Through 1996
04/03/97	A72450	Preaward Audit of a Claim for Increased Costs: Azteca Construction, Inc., Subcontractor to Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0032
04/04/97	A72437	Audit of Real Estate Tax Adjustments: WRC Properties, Inc., Lease Number GS-09B-91267, Calendar Years 1993 Through 1995
04/04/97	A72436	Audit of Real Estate Tax Adjustments: WRC Properties, Inc., Lease Number GS-09B-90017, Calendar Years 1991 Through 1995
04/18/97	A70628	Postaward Audit of Multiple Award Schedule Contractor: Clayton Associates, Inc., Contract Number GS-07F-8188B, for the Interim Period June 1, 1994 Through January 31, 1997
04/24/97	A71212	Preaward Audit of Cost and Pricing Proposal: The Logistics Company, Inc., Task Order Request GSC-TFGE-97-2002
06/06/97	A73619	Preaward Audit of Cost or Pricing Data: Symbiont, Inc., RFP Number GSC-TFGD-97-1010
06/06/97	A72466	Limited Scope Preaward Audit of Proposed Overhead and Direct Labor Rates: Brayton & Hughes Design Studio, Solicitation Number GS-09P-95-KTC-0029
06/11/97	A61827	Postaward Audit of Multiple Award Schedule Contract: Alexander Manufacturing Company, Contract Number GS-07F-3956A for the Period February 1, 1992 Through October 31, 1995
06/16/97	A70927	Preaward Audit of Cost or Pricing Data: JIL Information Systems, Inc., Proposal No. GSC-TFGD-97-1012
06/17/97	A72464	Limited Scope Preaward Audit of Proposed Overhead and Direct Labor Rates: Moore Ruble Yudell, Solicitation Number GS-09P-95-KTC-0029
06/17/97	A72470	Limited Scope Preaward Audit of Proposed Overhead and Direct Labor Rates: Frederick Brown Associates, Solicitation Number GS-09P-95-KTC-0029
06/24/97	A70928	Preaward Audit of Cost or Pricing Data: Criticom, Inc., Solicitation No. GSC-TFGD-97-1014
06/25/97	A72445	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0032

Appendix III—Audit Reports over 12 Months Old with Final Action Pending

Date of Report	Audit Number	Title
06/26/97	A72471	Limited Scope Preaward Audit of Proposed Overhead and Direct Labor Rates: Tsuchiyama & Kaino, Inc., Solicitation Number GS-09P-95-KTC-0029
06/26/97	A72465	Preaward Audit of a Claim for Increased Costs: Lawson Mechanical Contractors, Subcontractor to Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0032
06/27/97	A71811	Audit of Claim for Increased Costs, Miscellaneous Subcontractors to: Morse Diesel International, Inc., Contract Number GS06P94GYC0037
07/11/97	A71803	Audit of Claim for Increased Costs: Nicholson Construction Company, Contract Number GS06P94GYC0037
07/22/97	A71804	Audit of Claim for Increased Costs: Rodio/ICOS St. Louis Joint Venture, Subcontractor to Morse Diesel International, Inc., Contract Number GS06P94GYC0037
07/29/97	A61849	Postaward Audit of Multiple Award Schedule Contract: Hytorc, Division of Unex Corporation, Contract Number GS-06F-77977 for the Period November 1, 1989 Through October 31, 1994
07/30/97	A71819	Postaward Audit of Commercial Acquisition of Multiple Products Contract: Hytorc of Virginia, Inc., Contract Number GS-06F-78361 for the Period November 1, 1994 Through December 18, 1996
07/31/97	A71820	Audit of Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS06P94GYC0037
08/5/97	A73617	Refund from The Committee for Purchase From People Who Are Blind Or Severely Disabled, Agreement Number GS-02F-61511
08/22/97	A70646	Preaward Audit of a Delay Claim: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
08/28/97	A72463	Limited Scope Preaward Audit of Proposed Overhead and Direct Labor Rates: Gruen Associates, Solicitation Number GS-09P-95-KTC-0029
09/22/97	A70649	Preaward Audit of a Delay Claim: Consolidated Electric, Inc., Subcontractor to Beacon/Pro Con, Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
09/24/97	A71526	Price Adjustments on Multiple Award Schedule Contract: Domore Corporation, Contract Number GS-00F-5232A for the Interim Period December 1, 1997 Through January 31, 2001
10/02/97	A72478	Audit of Claim for Increased Costs: Gonzales Construction Company, Inc., Contract Number GS-08P-95-JAC-0001
10/23/97	A70655	Preaward Audit of a Delay Claim: Denron Plumbing and HVAC, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)

Appendix III—Audit Reports over 12 Months Old with Final Action Pending

Date of Report	Audit Number	Title
10/23/97	A72486	Audit of Claim for Increased Costs: Mountain Gravel & Construction Co., Subcontractor to Gonzales Construction Company, Inc., Contract Number GS-08P-95-JAC-0001
10/24/97	A70660	Preaward Audit of a Change Order Proposal: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
11/12/97	A70656	Preaward Audit of a Delay Claim: J.C. Higgins Corp., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
11/26/97	A22536	Postaward Audit of Multiple Award Schedule Contract: Ingres Corporation, Contract Number GS00K89AGS5589
11/26/97	A32476	Limited Audit of Government Billings: Ingres Corporation, Contract Number GS00K89AGS5589
12/10/97	A81512	Preaward Audit of a Claim for Increased Costs: Don-Lee, Inc., Subcontractor to D.L. Woods Construction Inc., Contract Number GS05P91GBC0057
12/24/97	A80602	Preaward Audit of a Delay Claim: Dan Lepore and Sons, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
01/12/98	A80604	Preaward Audit of a Delay Claim: Able Finishing, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
01/12/98	A80608	Preaward Audit of a Delay Claim: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
02/05/98	A80609	Preaward Audit of a Delay Claim: The Woodworks Architectural Millwork, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
02/11/98	A80607	Preaward Audit of a Claim: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
02/23/98	A82418	Preaward Audit of a Claim for Increased Costs: Walters & Wolf, Subcontractor to Hoffman Construction Company of Oregon, Contract Number GS-10P-94-LTC-0041
02/27/98	A83014	Audit of Claim for Increased Costs: Turner Construction Company, Contract Number GS-11P91AQC0060
03/05/98	A80612	Preaward Audit of a Claim: Beckman Construction Company, Contract Number GS-03P-92-CDC-0335
03/19/98	A81515	Audit of Claim for Increased Costs: Herman B. Taylor Construction Company, Contract Number GS-07P-92-HUC-0017

Appendix III—Audit Reports over 12 Months Old with Final Action Pending

Date of Report	Audit Number	Title
03/30/98	A81525	Audit of Real Estate Tax Escalations, American National Bank, Trustee, Lease Number GS-05B-14966, Tax Years 1992 Through 1995
04/09/98	A72448	Postaward Audit of Multiple Award Schedule Contract: Ungermann-Bass, Inc., Contract Number GS00K94AGS5367
04/13/98	A80621	Preaward Audit of a Claim: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
04/20/98	A81528	Audit of Real Estate Tax Adjustments: American National Bank, Trustee, Lease Number GS-05B-15448, Calendar Years 1994 Through 1996
04/27/98	A82423	Preaward Audit of a Claim for Increased Costs: Hoffman Construction Company of Oregon, Contract Number GS-10P-94-LTC-0041
04/29/98	A81510	Price Adjustments on Multiple Award Schedule Contract: The Worden Company, Contract Number GS-28F-2067D for the Interim Period May 1, 1998 Through August 31, 2000
04/30/98	A81533	Preaward Review of Multiple Award Schedule Contract: Outboard Marine Corporation, Solicitation Number 7FXG-U5-98-1901-B
05/27/98	A42146	Postaward Audit of Multiple Award Schedule Contract: Haworth, Incorporated, Contract Number GS-00F-07010
06/08/98	A80618	Postaward Audit of Recoverable Costs: Six World Trade Center, New York, NY, Lease Number GS-02B-15370
06/17/98	A83043	Preaward Audit of Architect and Engineering Services Contract: JVP Engineers, P.C., Solicitation Number GS11P98EGD0068
06/17/98	A82441	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0010
06/24/98	A81535	Audit of Real Estate Tax Adjustments: Riggs National Bank of Washington, DC, Trustee for Multi Employer Property Trust (MEPT), Lease Number GS-05B-14919, Calendar Years 1992 Through 1997
06/29/98	A80632	Preaward Audit of a Change Order Proposal: Ava Shypula Consulting, Inc., Contract Number GS-02P-92-CUC-0028
07/02/98	A81526	Postaward Audit of Overbillings, Multiple Award Schedule Contract: The Worden Company, Contract Number GS-28F-2067D for the Interim Period March 7, 1996 Through December 16, 1997
07/17/98	A60934	Postaward Audit of Multiple Award Schedule Contract: Interface Flooring Systems, Inc., Contract Number GS-00F-0002A for the Interim Period October 8, 1992 Through February 28, 1997

Appendix III—Audit Reports over 12 Months Old with Final Action Pending

Date of Report	Audit Number	Title
07/24/98	A82415	Preaward Audit of a Claim for Increased Costs: Western Tile and Marble Contractors, Inc., Subcontractor to Hoffman Construction Company of Oregon, Contract Number GS-10P-94-LTC-0041
08/07/98	A21578	Postaward Audit of Multiple Award Schedule Contract: Shaw-Walker Company, Contract Number GS-00F-94175
08/07/98	A10830	Postaward Audit of Multiple Award Schedule Contract: Shaw-Walker Company, Contract Number GS-00F-76677
08/12/98	A82451	Preaward Audit of a Claim for Increased Costs: Thermal Management, Inc., Contract Number GS05P95GBC0004
08/12/98	A82452	Audit of Termination Settlement Proposal: Thermal Management, Inc., Contract Number GS05P95GBC0004
09/04/98	A90302	Postaward Audit of Multiple Award Schedule Contract: Westinghouse Furniture Systems, Contract Number GS-00F-76574
09/22/98	A80931	Preaward Review of Multiple Award Schedule Contract for the Extension Period April 1, 1999 Through March 31, 2004: Computer Associates International, Inc., Contract Number GS-35F-5169H
09/24/98	A80934	Preaward Audit of Multiple Award Schedule Contract: Simple Green, a Division of Sunshine Makers, Inc., Solicitation Number TFTP-97-SC-7906B
09/24/98	A82456	Audit of Termination Settlement Proposal: Witherington Construction Corporation, Contract Number GS-07P-95-HUC-0068
09/29/98	A82121	Interim Postaward Audit of Multiple Award Schedule Contract: Clark Material Handling Company, Contract Numbers GS-07F-5850A and GS-07F-89940

Appendix III—Audit Reports over 12 Months Old with Final Action Pending

Date of Report	Audit Number	Title	Projected Final Action Date
Internal Audits			
03/27/96	A43005	Audit of GSA's Aircraft Management Program	10/15/99
03/27/96	A62424	Audit of Criminal History Background Checks for Child Care Center Employees	12/15/99
03/29/96	A42720	Audit of Accounting and Billing Controls Over the Public Buildings Service, National Capital Region's Reimbursable Work Authorizations	10/15/99
08/27/96	A62448	Audit of Background Checks on Contractor Personnel	12/15/99
12/02/96	A63019	Audit of the PAPCAP Price Adjustments	10/15/99
01/28/97	A63023	Audit of the National Capital Region's Emergency Support Function	10/15/99
03/26/97	A61247	Review of the Public Buildings Service Debarment Program	01/15/00
07/11/97	A60645	Audit of the Federal Protective Service's Criminal Investigation Program	01/15/00
09/26/97	A70627	Audit of Real Estate Tax and Janitorial Service Contract Payments	11/15/99
01/23/98	A70302	Management Control Review, Public Buildings Service, Property Management IMPAC Credit Card Program	12/15/99
01/30/98	A72443	Audit of the Megacenter Program, Federal Protective Service, Public Buildings Service	06/15/00
03/12/98	A72473	Audit of Guard Service Contract Awards, Federal Protective Service, Pacific Rim Region	12/15/99
03/30/98	A83007	Follow-up Review of the Contract Workload Management	12/15/00
06/23/98	A70924	Audit of Industrial Funding Fee, Federal Supply Service, Travel Management Center Program	01/15/00
08/31/98	A83307	Audit of the FSS's Efforts to Place Multiple Award Schedule Items on GSA Advantage	11/15/99
09/14/98	A70642	Audit of The Federal Protective Service's Program for Upgrading Security at Federal Facilities	01/15/00
09/24/98	A83602	GSA's Information Systems Security Has Not Kept Pace With Increasing Internet and Intranet Risks	01/15/00

Appendix III–Audit Reports over 12 Months Old with Final Action Pending

Date of Report	Audit Number	Title	Projected Final Action Date
09/29/98	A82410	Management Control Review of Conference Site Selections	10/15/99
09/30/98	A72705	Arthur Andersen LLP, Fiscal Year 1997 Comments and Suggestions for Consideration (Management letter)	02/15/00

Appendix IV—Delinquent Debts

The GSA Office of the Chief Financial Officer provided the following information.

GSA Efforts to Improve Debt Collection

During the period April 1, 1999 through September 30, 1999, GSA efforts to improve debt collection and reduce the amount of debt written off as uncollectible focused on upgrading the collection function and enhancing debt management. These activities included the following:

- From April 1, 1999 to September 30, 1999, the GSA Finance Centers continued to refer delinquent non-Federal claims to the U.S. Department of the Treasury (Treasury) for collection cross-servicing. FY 1999 collections on these claims, to date, exceed \$12 million. Administrative offsets on over 1,300 claims have resulted in an additional collection of \$3.4 million. GSA also collects non-Federal claims using Pre-Authorized Debits (PADs). From April 1, 1999 to September 30, 1999, 27 PADs totaling \$5,640 were issued.
- GSA continues to improve its new Accounts Receivable Claims System (ARCS). The use of this system will improve tracking, follow-up, referral, and reporting of claim functions. ARCS also allows multiple users to simultaneously access claims data. The system was enhanced to handle claims related to the collection of past due industrial funding fees owed by contractors.
- In April 1999, an Inspector General audit of the Heartland Finance Center's non-Federal claims collection process disclosed that the Center was in compliance with all requirements of the Debt Collection Improvement Act.
- Persistent claims coordination efforts among regional contracting officers, Finance Center personnel, and Treasury claims offset personnel continue to strengthen our collection efforts. As a result, our Federal debt collections are taking less time and allowing us to dedicate more resources to non-Federal collection.
- Our increased activity on Reimbursable Work Authorizations collections has resulted in resolving delinquent bills. We have increased the number and dollar amount of billings under the Memorandum of Understanding between the Federal Telecommunications Service and the Defense Finance and Accounting Service. In addition, we have increased the collection of outstanding accounts receivable from the Department of Defense through the manual On-line Payment and Collection system.
- We are continuing to work with the Federal Supply Service to collect \$11.4 million in delinquent billings from the District of Columbia Government.

Non-Federal Accounts Receivable

	As of April 1, 1999	As of September 30, 1999	Difference
Total Amounts Due GSA	\$28,048,802	\$38,843,640	\$10,794,838
Amount Delinquent	\$18,388,523	\$18,601,440	\$212,917
Total Amount Written Off as Uncollectible Between 4/1/99 and 9/30/99	\$2,903,092		

Appendix V—Reporting Requirements

The table below cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information requested by the Congress in Senate

Report No. 96-829 relative to the 1980 Supplemental Appropriations and Rescission Bill and the National Defense Authorization Act is also cross-referenced to the appropriate page of the report.

Requirement	Page
Inspector General Act	
Section 4(a)(2) - Review of Legislation and Regulations	29
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies.	2, 14, 20
Section 5(a)(2) - Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	2, 14, 20
Section 5(a)(3) - Prior Recommendations Not Yet Implemented	41
Section 5(a)(4) - Matters Referred to Prosecutive Authorities.	36
Sections 5(a)(5) and 6(b)(2) - Summary of Instances Where Information Was Refused.	None
Section 5(a)(6) - List of Audit Reports.	44
Section 5(a)(7) - Summary of Each Particularly Significant Report.	2, 14, 20
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	35
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	34
Section 5(a)(10) - Summary of Each Audit Report over 6 Months Old for Which No Management Decision Has Been Made	None
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12) - Information on Any Significant Management Decisions with Which the Inspector General Disagrees.	None
Senate Report No. 96-829	
Resolution of Audits	33
Delinquent Debts	62
National Defense Authorization Act	54

Notes

**Make
like
it's
your
money!**

It is.

To report suspected waste,
fraud, abuse, or mismanagement
in GSA, call your

Inspector General's Hotline

Toll-free 1-800-424-5210
Washington, DC metropolitan area
(202) 501-1780

or write: **GSA, IG, Hotline Officer**
Washington, DC 20405



**U.S. General Services Administration
Office of the Inspector General**

